



Precot Meridian Limited

(Formerly Precot Mills Limited)

BOARD OF DIRECTORS

Executive Directors

Chairman & Managing Director
Joint Managing Director
President

Directors

Company Secretary

Auditors

Registered Office

Registrar and Share transfer agent

D Sarath Chandran
Ashwin Chandran
P Sai Prakash

A Ramkrishna
Jairam Varadaraj
C N Srivatsan
Sumanth Ramamurthi
Vijay Mohan
Vijay Venkataswamy
Suresh Jagannathan
M V Subaraman

C Murugesh

M/s Suri & Co
M/s K S G Subramanyam & Co

SUPREM
PB No 7161, 737 Green Fields
Puliakulam Road
Coimbatore 641 045

Intime Spectrum Registry Limited
"Surya" 35, Mayflower Avenue,
Senthil Nagar, Sowripalayam Road,
Coimbatore 641 028, Tamil Nadu
Telefax : 0422 2314792, 2315792
E-mail : coimbatore@intimespectrum.com

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Notice to the Members

Notice is hereby given that the 46th Annual General Meeting of the Shareholders of the Company will be held on Friday the 22nd August 2008 at 5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018 to transact the following business.

Ordinary Business :

1. To Consider and adopt the following:
 - a) The Audited Profit & Loss Account for the year ended 31st March, 2008
 - b) The Audited Balance sheet as at 31st March, 2008 and
 - c) The Reports of the Directors and the Auditors.
2. To Declare a Dividend
3. To appoint a Director in place of Dr Jairam Varadaraj who retires by rotation & being eligible, seeks re-appointment.
4. To appoint a Director in place of Mr Vijay Mohan who retires by rotation & being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr Suresh Jagannathan who retires by rotation & being eligible, seeks re-appointment.
6. To appoint Auditors & fix their remuneration.

Special Business:

7. **To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

Resolved that pursuant to provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Mr D Sarath Chandran, be and is hereby re-appointed as Chairman & Managing Director of the Company for a period of 3 years effective from 1st April, 2008 to 31st March 2011 on the following terms and conditions;

- I. Salary : Rs 1, 00,000/- per Month with an Annual increment of Rs 8,000/-
- II. Commission : up to 1.5% of the Net Profit
- III. In addition to the above Mr D Sarath Chandran shall also be entitled for the following.

1. Housing :

Unfurnished residential accommodation will be provided. In its absence 60% of the salary will be paid as House Rent Allowance.

2. Perquisites

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

- a. Leave Travel concession for him and his family once in a year.
- b. Reimbursement of expenditure incurred on gas, electricity, water, furnishing and Appliances.
- c. Club Expenses subject to a maximum of Rs 5000/- per Month, shall be reimbursed except admission and life membership fees.
- d. Health and personal accident insurance cover for him.
- e. Reimbursement of medical expenses incurred for him and his family.

3. Others

- a) Provision of telephone and car.

The Chairman and Managing Director shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

- b) Contribution to Provident Fund and Super Annuation Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act.
 - c) Payment of Gratuity at the end of the tenure not exceeding half a month's salary for each year of completed service or at the rate as may be notified by the Government from time to time.
 4. For the purpose of Commission payable to Mr D Sarath Chandran, Net profit shall be computed in the manner laid down in Section 349 read with section 199 of the Companies Act, 1956.
- Resolved further** that in the event of no profits or inadequacy of profits, the remuneration payable to Mr D Sarath Chandran, Chairman and Managing Director shall not exceed the limits specified in Section II of Part II (B) of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time as minimum remuneration.
8. **To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

Resolved that pursuant to provisions of Section 198,269,309 & 310 read with Schedule XIII and other applicable provisions, if any of the Companies



Notice to the Members

Act 1956, Mr Ashwin Chandran be and is hereby appointed as Joint Managing Director of the Company for a period of 3 years effective from 1st April 2008 to 31st March, 2011 on the following terms and conditions:

- I. Salary : Rs 75,000/- per Month with an annual increment of Rs 6,000/-
- II. Commission : up to 1% of the Net Profit
- III. In addition to the above Mr Ashwin Chandran shall also be entitled for the following.

1. Housing:

Unfurnished residential accommodation will be provided. In its absence 60% of the salary will be paid as House Rent Allowance.

2. Perquisites:

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

- a. Leave Travel concession for him and his family once in a year.
- b. Reimbursement of expenditure incurred on gas, electricity, water, furnishing and Appliances.
- c. Club Expenses subject to a maximum of Rs 5000/- per Month, shall be reimbursed except admission and life membership fees.
- d. Health and personal accident insurance cover for him.
- e. Reimbursement of medical expenses incurred for him and his family.

3. Others:

- a) Provision of telephone and car.

The Joint Managing Director shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

- b) Contribution to Provident Fund and Super Annuation Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act.

- c) Payment of Gratuity at the end of the tenure shall not exceed Half a Month's Salary for each Year of completed service or at the rate as may be notified by the Government from time to time.

4. For the purpose of Commission payable to Mr Ashwin Chandran, Net profit shall be computed in the manner laid down in Section 349 read with section 199 of the Companies Act, 1956.

Resolved further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Ashwin Chandran, Joint Managing Director shall not exceed the limits specified in Section II of Part II (A) of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time as minimum remuneration.

9. **To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

RESOLVED THAT to voluntarily delist the equity shares of the Company from The Coimbatore Stock Exchange Limited, and The Madras Stock Exchange Limited in accordance with the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and all other applicable acts in this regard.

Resolved further that the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary in this regard.

Coimbatore
7th June 2008

By the Order of the Board
D Sarath Chandran
Chairman and Managing Director



Notice to the Members

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No 7

At the meeting of the Remuneration committee of the company held on 23rd January, 2008, and Board of Directors meeting held on 29th January 2008, it was resolved to appoint Mr D Sarath Chandran as Chairman and Managing Director of the Company for a period of three years with effect from 1st April, 2008 to 31st March 2011 and also to pay him remuneration in accordance with the provisions of the Companies Act, 1956 on the terms and conditions set out in the resolution. As per Section 269 read with Schedule XIII of the Companies Act, 1956, the appointment and payment of remuneration shall be subject to the approval of the shareholders of the company in the general meeting. Hence, the resolution is placed for your approval. Mr D Sarath Chandran as the appointee and Mr Ashwin Chandran and Mr. Vijay Mohan, as relatives of Mr D Sarath Chandran are interested in the resolution. No other Director is interested in the resolution.

Information to be provided under Schedule XIII, Part II (B) of the Companies Act, 1956.

I. General Information

1. Nature of Industry : Textiles Industry.
2. Date of commencement of commercial production : The Company was incorporated on 02.06.1962 and commenced production subsequently during the year.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable
4. Financial performance based on given indicators:

Particulars	2007-2008 Amount (Rs in Lakhs)	2006-2007 Amount (Rs in Lakhs)
Sales and other Income	36947	33649
Profit before Tax and depreciation	3425	4938
Profit after Tax	512	1889
Paid up Equity Capital	695	695
Reserves and Surplus	13451	13479
Basic Earnings per share	7	27

5. Export performance and net foreign exchange collaborations: Export turn over amounts to Rs. 117 crores. Foreign currency expenditure is

Rs.23 Crores and the company has a positive inflow of foreign exchange.

6. Foreign investments and collaborators, if any: Benwood corp in Malayasia, Subsidiary of Precot Meridian Ltd

II. Information about the Appointee:

1. Back ground details: Mr D Sarath Chandran, B.Sc (Hons), MBA aged 62 is an industrialist, having 36 years experience in Textile industry and is also Director in 7 Public limited companies.
2. Past remuneration : Rs. 90000 per month with annual increment of Rs. 9000 and commission @ 2.5% of net profit Plus Allowances and perquisites.
3. Recognition or awards : He has been conferred upon various awards from time to time from various institutions.
4. Job profile and his suitability : Mr D Sarath Chandran is the Chairman and Managing Director of the company and he is Managing Director since 1975, He is well known in the Textile World
5. Remuneration Proposed: Rs.100000 per month with annual increment of Rs.8000 and commission up to 1.5% of net profit Plus Allowances and perquisites
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shouldered on him and the industry bench marks, the remuneration proposed to be paid is commensurate with the remuneration packages paid comparable to similar other companies.
7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any: Besides the remuneration proposed, the Chairman and Managing Director do not have any other pecuniary relationship with the Company and its managerial personnel.

III. Other Information

1. Reasons of loss or inadequate profits : The performance of Textile Industry is subject to external forces which are beyond the control of the company like unfavourable/adverse weather conditions, international currency market,



Notice to the Members

availability of cotton in domestic and international market etc. Hence, the profitability of the company may be affected. However, the company has been making consistent profits.

2. Steps taken or proposed to be taken for improvement : A major restructure of units operations undertaken during last few years with focus on quality, improvement and cost reduction is expected to bring additional revenue for the company.
3. Expected increase in productivity and profits in measurable terms: The Company is expected to perform well in future.

IV. Disclosures:

1. The shareholders of the company shall be informed of the remuneration package of the managerial person: Disclosed in Corporate Governance.
2. The following disclosures mentioned in the Board of Director's report under Corporate Governance report attached to the annual report:
 - a. All elements of remuneration package such as salary, benefits, bonus, stock options, pension, etc., of all the directors: Disclosed.
 - b. Details of fixed component and performance linked incentives along with the performance criteria: Disclosed
 - c. Service contracts, notice period, severance fees: Disclosed
 - d. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Company has not issued any Stock option

The Company has not defaulted in repayment of any of its debts or debentures and public deposits.

Item No 8

At the meeting of the Remuneration committee of the company held on 23rd January, 2008, and Board of Directors meeting held on 29th January 2008, it was

resolved to appoint Mr Ashwin Chandran as Joint Managing Director of the Company for a period of three years with effect from 1st April, 2008 to 31st March 2011 and also pay him remuneration in accordance with the provisions of the Companies Act, 1956 on the terms and conditions set out in the resolution. As per Section 269 read with Schedule XIII of the Companies Act, 1956, the appointment and payment of remuneration shall be subject to the approval of the shareholders of the company in general meeting. Hence, the resolution is placed for your approval. Mr Ashwin Chandran as the appointee and Mr D Sarath Chandran as relative is interested in the resolution. No other Director is interested in the resolution.

Item No 9

The Shares of the Company are currently listed on three Stock Exchanges viz., The National Stock Exchange of India Ltd., The Madras Stock Exchange Ltd and The Coimbatore Stock Exchange Ltd. But there is no trading activity in Coimbatore and Madras Stock Exchanges therefore it is advantageous to delist the shares of the company from the Coimbatore and Madras Stock Exchange, hence it is now proposed to delist the shares of the Company from The Madras Stock Exchange Ltd and The Coimbatore Stock Exchange Ltd. The shares of the company will continue to be listed on the National Stock Exchange. With the extensive networking of the National Stock Exchange Limited investors can access the shares of the company across the country. The bulk trading in the companies share takes place on National Stock Exchange Limited. Under the provisions of the SEBI Delisting Guidelines, the decision of voluntary delisting of shares by the Company is required to be approved by a special resolution.

The Board recommends the resolution to be passed by the shareholders of the Company by requisite majority.

Hence the resolution is placed for your approval.

None of the directors is interested in the resolution.

Coimbatore
7th June 2008

By the Order of the Board
D Sarath Chandran
Chairman and Managing Director



Notice to the Members

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Instrument appointing a proxy should be deposited at the registered office of the company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer books of the Company will remain closed from 1st August 2008 to 22nd August 2008 (both days inclusive) for the purpose of payment of Dividend.
4. The Dividend declared in August, 2001 and remaining unclaimed at the end of seven years will be transferred to Investor Education and Protection Fund established by the Central Government. It may be noted that once the unclaimed dividend is transferred to the fund as above, no claim shall lie with the Company in respect of such amount.
5. Members are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses, either to the Company or its Registrar and Share Transfer Agent, viz, **Intime Spectrum Registry Limited**, or to their respective Depository Participant in case the shares are held in demat form.
6. Members who are holding shares in Electronic form are requested to intimate immediately their change of address / change of bank account, if any to their respective Depository Participant.
7. Members who hold shares in physical form in multiple accounts in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents, Intime Spectrum Registry Ltd for consolidation into a single account.

Coimbatore
7th June 2008

By the Order of the Board
D Sarath Chandran
Chairman and Managing Director

Information as required by Clause 49(IV)(G) of the Listing Agreement:

As required by the Listing Agreement, the information relating to the Directors proposed to be appointed is given hereunder.

Name : **Dr Jairam Varadaraj**
Age : 47 years
Qualifications : MBA and Ph.D in Business Administration
Expertise : Industrialist.
Number of Shares held : 50
Director of Company since : 29.1.2002
Relationship with other directors : He is not related to any director
Directorships*

Name of Company	Member of Committees**
Elgi Equipments Ltd	Shareholder/Investors Relation Committee
Elgi Finance Ltd	-
Elgi Ultra Industries Ltd	Share Transfer Committee
Elgi Tread (India) Ltd	-
Adisons Precision Instruments Manufacturing Co. Ltd	-
Thermax Ltd	Audit Committee
Magna Electro Castings Ltd	-
Executive and Business Coaching Foundation India Ltd	-
ATS Elgi Ltd	-
Precot Meridian Ltd	Audit Committee

Name : **Mr Vijay Mohan**
Age : 61 years
Qualifications : BE (Mech), Master of Management Services
Expertise : Industrialist.
Number of Shares held : 1300
Director of Company since : 18.2.1989
Relationship with other directors : Mr. D Sarath Chandran is related to him
Directorships*



Notice to the Members

Name of Company	Member of Committees**
Pricol Limited	Shareholder/Investors Relation Committee
English Tools and Castings Limited	-
Rane Brake Lining Limited	Audit Committee
Pricol Holdings Limited	-
Pricol Packing Limited.	-
Pricol Properties Limited	-
Pricol Technologies Limited	-
Xenos Technologies Limited	-
Synoro Technologies Limited	-
Ananya Innovations Limited	-
Priana Enterprises India Limited	-
Precot Meridian Ltd	Shareholder/Investors Relation Committee
Bhavani Infin Services India Pvt. Ltd.	-

Name : **Mr Suresh Jagannathan**
 Age : 51 years
 Qualifications : BS (USA)
 Expertise : Industrialist.
 Number of Shares held : Nil
 Director of Company since : 29.6.2006
 Relationship with other directors : He is not related to any director
 Directorships*

Name of Company	Member of Committees**
KLRF Ltd	Shareholder/Investors Relation Committee
Pricol Ltd	-
Elgitread (India) Ltd	Audit Committee
Cape Flour Mills Pvt. Ltd.	-
Chempaka General Finance Pvt. Ltd.	-
Precot Meridian Ltd	-

Name : **Mr Sarath Chandran**
 Age : 62 years
 Qualifications : B.Sc (Hons),M B.A
 Expertise : Industrialist.
 Number of Shares held : 1443000
 Director of Company since : 25.6.1974
 Relationship with other directors : Mr. Ashwin Chandran & Mr. Vijay Mohan are related to him
 Directorships*

Name of Company	Member of Committees**
Super Spinning Mills Ltd	Shareholder/Investors Relation Committee
Pricol Ltd	Shareholder/Investors Relation Committee
Vantex Ltd	-
Precot Meridian Energy Ltd	-
Multiflora Processing (Coimbatore) Ltd	-
Suprem Textiles Processing Ltd	-
Precot Meridian Ltd	Shareholder/Investors Relation Committee



Notice to the Members

Name : **Mr Ashwin Chandran**
Age : 31 years
Qualifications : Textile Graduate & MBA
Expertise : Industrialist.
Number of Shares held : 1228000
Director of Company since : 30.7.2003
Relationship with other directors : Mr D Sarath Chandran is related to him
Directorships*

Name of Company	Member of Committees**
Precot Meridian Energy Ltd	-
Multiflora Processing (Coimbatore) Ltd	-
Suprem Textiles Processing Ltd	-
Precot Meridian Ltd	Shareholder/Investors Relation Committee

*Directorship excludes Directorship in Foreign Company.

**Member of Committees includes only Audit and Shareholder / Investors Relation Committee.

Coimbatore
7th June 2008

By the Order of the Board
D Sarath Chandran
Chairman and Managing Director



Directors Report and Management Analysis

To the Members

Your Directors wish to present the 46th Annual Report along with the audited financial results for the year ended 31st March, 2008.

Financial Results (Rs. Lacs)

	31.03.08	31.03.07
Sales - Domestic	24917	25683
- Exports	11732	7468
	36649	33151
Profit Before Interest, Dep. & Tax	4228	5354
Less: Interest	1103	915
Profit from Operations	3125	4439
Other income	299	498
Profit before Depreciation and Tax	3424	4937
Less : Depreciation and Amortization	2715	2414
Profit Before Tax	709	2523
Less : Provision for Income Tax	178	560
Fringe Benefit tax	17	23
Deferred Tax	-77	51
Tax prov. for prev.years	79	
Profit After Tax	512	1889
Add: Balance brought forward	495	390
Profit available for appropriation	1007	2279

Dividend and appropriations

Considering the steep reduction in profits, your directors recommend a dividend of 20 % absorbing a sum of Rs.163 lacs including the tax payable by the company on the dividend. The amount of Rs. 1007 lacs is proposed to be appropriated as under:

	Rs. lacs	
	07-08	06-07
Proposed Dividend	139	348
Tax on Dividend	24	59
General Reserve	55	1500
Balance carried forward	789	372
	1007	2279

Review of Operations

The textile industry in general and the spinning sector in particular was adversely affected due to various factors beyond the control of the Company. The appreciating rupee affected the entire dynamics of the industry, not only in exports but also in the domestic sector. In order to partly offset sales realization on account of the appreciating rupee, the garment sector relied on imports for a higher proportion of their fabric requirements. This in turn adversely affected the demand for fabrics and cotton yarn in the domestic market, thus depressing the yarn prices during most part of the year. On the raw material front, in spite of

a record cotton crop, prices continued to rule abnormally high on account of record quantities of cotton being exported. The industry was thus faced with a situation of lower prices for its finished products and a higher cost for its raw material inputs. This drastically reduced the margin on cotton yarn, the principal product of your Company. In order to soften the impact of these adverse developments, your Company consciously increased export of cotton yarn during the second half of the year.

The expansion of spinning capacity in the Pollachi unit, which went into stream in January 2007, reached its capacity of 32256 spindles during the last quarter of the current year. The company also enhanced the spinning capacities at its Hindupur and Walayar units marginally. The industry experienced frequent power shut downs, especially in Tamil Nadu, and labour shortage which affected productivity during the current year. The turnover of the Company recorded a marginal growth of 10% to Rs. 366 crores as compared to Rs. 332 crores in the previous year mainly contributed by the new unit in Pollachi. The weaving division recorded a higher turnover, with a marginal improvement in its operating profit. As mentioned above, high raw material prices, lower sales realization and frequent power shut downs adversely affected the profitability and consequently the profit before interest depreciation and taxes dropped to Rs. 42.45 crores as compared to Rs. 53.54 crores in the previous year. After providing for a higher depreciation of Rs. 27.15 crores and total taxes of Rs. 1.95 crores, the net profit was significantly lower at Rs. 5.12 crores as compared to Rs. 18.89 crores in the previous year.

Capital Investment

The total capital investment during the year was Rs. 48 crores, a major part of which was related to expansion of spinning capacities in the new unit in Pollachi and at the existing B and C units. These expansions were partly funded by a term loan from banks under TUFS and foreign currency loans.

Outlook for the current year

As per the estimate of the Cotton Advisory Board, the country is likely to witness another bumper cotton crop for the fourth successive season. However with a high proportion of the crop being reserved for exports, the availability for domestic consumption may not be significantly higher. This is already evident in the cotton prices going up sharply during the last one month. The outlook for export of cotton yarn has improved with the weakening of the rupee during the last 2 months. With higher fabric and garment exports, the domestic demand for yarn is also expected to revive during the next few months. The company has initiated various steps to improve the productivity both in spinning as



well as weaving, in addition to other measures to control operational costs wherever possible. It is hoped that all these measures will yield some positive results and thus contribute to better results during the year ahead.

Opportunities, Risks and Concerns

With the average growth of the economy during the last 3 years exceeding 9%, the disposable income in the hands of the growing middle class continues to rise. This, coupled with the growing retail penetration is expected to push up the per capita consumption of cloth in the coming years. This is expected to spur domestic demand for garments and fabrics, thus presenting an opportunity in the coming years. The increased cost of inputs in the Chinese textile industry could also present an opportunity for improved competitiveness of the Indian textile industry in the global scenario. However continuing inflation is a matter of concern for the industry. Also availability of skilled labour is becoming a challenge for the industry. Finally increased cost of cotton is a matter of concern and with expected increased demand by the textile industry, some drastic steps are needed for increasing the acreage and productivity of this vital raw material for the industry.

Foreign Exchange Derivative Contracts

The company had entered into certain derivative contracts with some banks. Some of these contracts have already matured resulting in a claim of Rs. 1460 lacs by the banks on the Company. The Company has been advised that these contracts are not in conformity with the guidelines framed by the Reserve Bank of India for this purpose and therefore not binding on the company. The company has accordingly moved the courts challenging the claims of the banks on these contracts.

Personnel

Labour relations continued to be cordial throughout the year in all the units of the company.

Foreign Exchange Earnings

The company's foreign exchange earnings through exports during the year was Rs. 117 crores as compared to Rs 75 crores in the previous year. Outflow on account of import of raw materials, capital goods and spares amounted to Rs 23 crores resulting in Net foreign exchange earnings of Rs.94 crores.

Internal control systems & Risk Management

The company has adequate internal control systems to monitor business processes, financial reporting and compliance with applicable regulations. The systems are periodically reviewed for identification of control deficiencies and formulation of time bound action plans to improve efficiency at all levels.

The Audit committee of the Board reviews internal control systems and their adequacy, observations made by the internal auditors on control mechanism and the operations of the company, recommendations made for the corrective action and the internal audit reports. The committee reviews with the statutory auditors and the management, key issues and significant processes, accounting policies etc. The company continues its efforts in strengthening internal controls. The Company is also strengthening the risk management mechanism, especially in respect of foreign exchange transactions.

Directors

The Board of Directors at their meeting held on 29th January 2008, reappointed Mr. D. Sarath Chandran as the Chairman and Managing Director of the Company for a further period of three years with effective from 1st April 2008. His reappointment and remuneration are being placed before you at the ensuing Annual General meeting for consideration and approval.

The term of office of Mr. Ashwin Chandran, Director Operations came to an end on 31st March 2008. The Board of Directors, at their meeting held on 29th January 2008, appointed him as the Joint Managing Director for a period of three years effective from 1st April 2008. His appointment and remuneration are being placed before you at the ensuing Annual General Meeting for consideration and approval.

Mr Vijay Mohan , Mr Suresh Jagannathan and Dr Jairam Varadaraj retire by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

Corporate Governance

The report on Corporate Governance is annexed. The company has complied with the conditions relating to Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

Directors Responsibility statement

The Directors confirm that:

- The applicable accounting standards have been followed and proper explanations provided relating to material departures, if any;
- The company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the company;
- Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The annual accounts of the company have been prepared on a going concern basis



Directors Report and Management Analysis

Auditors

M/s Suri & Co and KSG Subramanyam & Co, Auditors of the company retire at the ensuing Annual General Meeting. They have given their consent for their reappointment.

Statutory Information

Information required to be furnished under the Companies Act, 1956 is given in the annexure to this report.

Acknowledgement

Your Directors thank the shareholders, customers, suppliers and Bankers for their continued support during the year. Your directors also place on record their appreciation of the contributions made by the employees at all levels towards the growth of the company.

Annexure to Directors' Report and Management Analysis Statutory Information

FORM A		
Conservation of Energy (Consolidated for all units)		
A. Power & Fuel Consumption	31.03.08	31.03.07
1) Electricity From EB	Total	Total
a) Purchased		
Units in Lacs	772.17	643.97
Amt in Rs. Lacs	3022.46	2397.44
Cost per unit in Rs.	3.91	3.72
2) Electricity From Gas power APGPCL / OPG / SAI REGENCY		
a) Purchased		
Units in Lacs	338.79	288.01
Amt in Rs. Lacs	834.10	681.82
Cost per unit in Rs.	2.46	2.37
3) Own Generation through		
a) Diesel Generator		
Units per Ltr of Diesel	3.33	3.34
Units in lacs	45.95	39.04
Amt in Rs. Lacs	475.50	387.42
Cost per Unit in Rs.	10.34	9.92
b) Wind Mill Power		
Units in lacs	156.26	167.41
Amt in Rs. Lacs	392.36	416.20
Cost per Unit in Rs.	2.51	2.49
B. CONSUMPTION OF ELECTRICITY (units)		
Yarn per Kg	4.24	4.27
Fabric per metre	1.88	1.32

Fixed Deposits

One Fixed Deposit amounting to Rs 0.15 lacs remained unclaimed as on 31st March, 2008. During the year company has not accepted any deposits.

Technology Absorption, Adaptation and innovation Research and Development.

Research and Development activities are carried out on an ongoing basis for improving the efficiency and also for improving quality of its products. No separate expenditure was incurred for R & D.

Conservation of Energy

Conservation of Energy continues to receive increased emphasis at all the units of the Company. Energy audits and Inter unit studies are carried out on a regular basis for taking steps for reduction of the energy consumption. The details of total consumption are as follows.

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956

Name : **D Sarath Chandran** Age : 62 yrs
 Qualification : B Sc (Hons), MBA Exp : 36 yrs
 Designation : Chairman & Managing Director
 Nature of duties : Management of the Company
 Gross remuneration : Rs.42.53 lacs
 Date of commencement of employment : 1.4.1975
 Previous employment : Premier Mills Limited.

Notes:

1. The Managing Director was appointed for a period of 3 years with effect from 01.04.08
2. Gross remuneration includes salary, allowances, Company's contribution to Provident and Super Annuation Funds.
3. Mr. D. Sarath Chandran is the brother of Mr. Vijay Mohan and father of Mr. Ashwin Chandran.

Coimbatore 7th June 2008 By the Order of the Board
D Sarath Chandran
 Chairman and Managing Director

Addendum

Reply to the Auditors remark

The Auditors have in their report drawn the attention of the share holders to the non provision of estimated notional losses of Rs. 1530 lakhs in respect of certain unexpired foreign currency derivative contracts. These contracts mature during the next three financial years and the losses have not crystallized as on 31.03.2008. The Company is taking steps to mitigate these losses and is also in the process of ascertaining the legal validity of these contracts and therefore no provision has been made during the year.

Coimbatore 7th June 2008 By the Order of the Board
D Sarath Chandran
 Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE

In accordance with the Clause 49 of the listing agreement of stock exchanges the company had followed the best practices on corporate governance, a report contain the practices which are followed by Precot Meridian Ltd, High level of transparency in the all areas of operation, timely flow of information to the all stakeholders of the company, compliance with all the applicable rules and regulations, a sound system of risk management and internal control system and fair and equal treatment of all the stakeholders of the company including employees, creditors, shareholders, customers and investors.

BOARD OF DIRECTORS

During the period under review Board met Four times at the Registered office of the company on 14th June 2007, 30th July 2007, 31st October 2007 and 29th January 2008

COMPOSITION OF DIRECTORS AND THEIR ATTENDANCE

Name of the Director	Category	Attendance Particulars		No of directorships in other companies #	No of committee in all companies \$	
		Board Meetings	Last AGM		Member	Chairman
D Sarath Chandran Chairman & Managing Director	Executive - Promoter	4	Yes	6	3	-
Ashwin Chandran Director- Operations	Executive - Promoter	4	Yes	3	1	-
Vijay Mohan	Non Executive - Promoter	4	No	11	3	1
P Sai Prakash	Executive - Non Promoter	4	No	3	1	-
A Ramkrishna	Non Executive - Non Independent	4	Yes	3	1	-
Sumanth Ramamurthi	Non Executive - Independent	2	No	9	2	-
Dr Jairam Varadaraj	Non Executive - Independent	2	No	9	3	1
Vijay Venkataswamy	Non Executive - Independent	3	Yes	4	2	1
C N Srivatsan	Non Executive - Independent	3	No	4	4	2
M V Subaraman	Non Executive - Independent	3	No	1	1	-
Suresh Jagannathan	Non Executive - Independent	4	No	3	2	-

Exclude directorships in Private companies and Foreign Companies

\$ Only Audit Committee and Investor Grievance committee are considered

Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements with the Stock Exchanges.

The terms of reference of this Committee are as required by SEBI- under clause 49 of the Listing Agreement. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the statutory and Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the statutory and the Internal Auditors and meet with them to discuss their findings, suggestions, and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the statutory Auditors.



Report on Corporate Governance

The Majority of the Members of the Audit Committee are independent and have knowledge of finance, accounts and Textile industry. The quorum for audit committee meeting is minimum of two independent directors.

The Audit Committee meetings are usually held at the Registered Office of the Company

The previous Annual General Meeting of the Company was held on August 10th , 2007 and it was attended by Mr. Vijay Venkataswamy, Chairman of the Audit Committee.

During the year under review the committee met 4 times on 30th May 2007, 25th July 2007, 24th October 2007 and 23rd January 2008. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	No. of Meetings Attended
Vijay Venkataswamy - Chairman	Non Executive - Independent	4
Dr Jairam Varadaraj	Non Executive - Independent	4
C N Srivatsan	Non Executive - Independent	4
M V Subaraman	Non Executive - Independent	3
A Ramkrishna	Non Executive - Non Independent	4

The representatives of the statutory Auditors and Internal Auditors of the company had also attended the meetings. The minutes of the Audit Committee meetings were circulated to the Board, where it was discussed and taken note of. The Audit Committee considered and reviewed the accounts for the year 2007-08, before it was placed in the Board.

Remuneration Committee

The Committee would basically look into and determine the company's policy on remuneration packages to the Executive directors. The Committee met on 23rd January 2008 to review and approve the remuneration of Mr. D Sarath Chandran, Chairman and Managing Director and Mr. Ashwin Chandran, Director- Operations.

The Executive Directors are paid remuneration as approved the Board of Directors on the recommendation of the Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the general meeting.

The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below

Name	Category	No. of Meetings Attended
Vijay Venkataswamy - Chairman	Non Executive - Independent	1
Dr Jairam Varadaraj	Non Executive - Independent	1
A Ramkrishna	Non Executive - Non Independent	1

The Company does not have any Employee Stock Option Scheme.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors.

During the year, the Company paid Sitting Fee of Rs10000 per meeting to its Non-Executive Directors for attending meetings of the Board of Directors and Audit Committee and Rs.1000 for other Committee Meetings.

The remuneration paid/payable to the Executive Directors of the Company for the year ended 31st March 2008, are as under



Report on Corporate Governance

Name of the Director	Salary and perks Rs	Commission Rs	Total Rs	Service Contract
D Sarath Chandran Chairman and Managing Director	22,43,686	16,61,381	39,05,067	01.04.2005 to 31.03.2008
Ashwin Chandran Director Operations	7,68,000	5,90,237	13,58,237	01.08.2003 to 31.03.2008
P Sai Prakash Director & President	15,60,000	5,90,237	21,50,237	01.04.2005 to 31.03.2010

The company does not pay remuneration to any of its Non-executive Directors barring sitting fees for attendance during the meeting(s).

The details of the sittings fees paid during the year 31st March 2008 to the non-executive directors are as under

Statements showing number of Equity shares held by the Non-Executive Directors as on March 31st March 2008 :-

Name of the Director	Sitting Fees (Rs)
A Ramkrishna	86000
Vijay Mohan	45000
Sumanth Ramamurthi	20000
Jairam Varadaraj	61000
Vijay Venkataswamy	71000
C N Srivatsan	70000
M V Subaraman	60000
Suresh Jagannathan	40000

Name of the Director	No of Shares held
A Ramkrishna	750
Vijay Mohan	1300
Sumanth Ramamurthi	900
Jairam Varadaraj	50
Vijay Venkataswamy	550
C N Srivatsan	NIL
M V Subaraman	50
Suresh Jagannathan	NIL

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-executive Independent Directors during the year.

Shareholders / Investors Grievance Committee

The Committee deals in matters relating to transfer and transmission of shares, issue of duplicate share certificates, review of dematerialized shares, redressing of investors complaints such as non- receipt of shares, non receipt of dividends etc., and other matters related to shares

The share Transfers/transmissions approved by the committee are placed at the board meetings from time to time.

12 meeting of the Shareholders / Investors Grievances Committee was held during the year on 30th April 2007, 31st May 2007, 30th June 2007, 31st July 2007, 31st August 2007, 29th September 2007, 31st October 2007, 30th November 2007, 31st December 2007, 31st January 2008, 29th February 2008 and 31st March 2008

The composition of the Shareholders / Investors Grievance Committee and the details of meetings attended by its members are given below:

Name	No. of Meetings Attended
Vijay Mohan (Non Executive) Chairman	5
D Sarath Chandran	11
Ashwin Chandran	11
P Sai Prakash	9



Report on Corporate Governance

Compliance Officer's Address : C Murugesh, Company Secretary & Compliance Officer
Regd. Office : SUPREM, 737, Puliakulam Road, Coimbatore 641 045.
Mail : secretary@precot.com

Details of Complaints received and redressed

Opening Balance	Received during year	Redressed during the Year	Closing balance
nil	7	7	nil

There were no outstanding complaints as on 31st March 2008.

MANAGEMENT ANALYSIS REPORT

Management Analysis Report forms part of this Annual Report.

General Body Meetings :

Details of the meetings	Date of the Meeting and Time	Venue	Special Resolutions
2005, 43rd AGM	10.08.2005 at 4.00 PM	Chamber towers, Avinashi Road, Coimbatore-641018	Insertion of a clause 23A in the Articles of Association relating to Instrument of Transfer
2006, 44th AGM	09.08.2006 at 4.00PM	Chamber towers, Avinashi Road, Coimbatore-641018	NIL
2007, 45th AGM	10.08.2007 at 5.00PM	Chamber towers, Avinashi Road, Coimbatore-641018	To hold office or place of profit under section 314 of the Companies Act 1956 of Mr Prashanth Chandran

No extra-ordinary General Meeting was held during the year 2007-08.

Court Convened Meeting of Members

A Court convened General meeting of the Members of the Company was held on 09.06.2006 at 3.30 pm., for obtaining the requisite approval of the Members for amalgamation of Meridian Industries Limited with the Company.

No Postal Ballot was conducted during the year.

Disclosures

1. Details of transaction with related parties are provided in Note no 27 to notes forming part of the Account in accordance with the provision of Accounting Standard (AS-18). There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.
2. During the last 3 years, there were no strictures or penalties imposed on company by either Stock Exchanges or SEBI or any statutory authority for non-compliance on any matter relating to the capital markets.
3. The company does not have any Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet senior level management and report any matter of concern.
4. The company has complied with all the mandatory requirements of corporate governance norms as enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges.

The company has fulfilled the following non-mandatory requirements as prescribed in clause 49 of the Listing Agreement-

- The company has setup a Remuneration committee.
- The other non-mandatory requirements have not been adopted by the company.

Code of Conduct

The Board of Directors has laid down a code of conduct for all the Board members and Senior Management of the Company. The same has been posted on the website of the company. All Board members and Senior Management personnel have affirmed their compliance with the code of conduct for the year under review.



The company's Managing Director's declaration to this effect forms a part of this report.

Code of Conduct for Insider Trading

The company has framed a code of conduct for prevention of insider Trading based on SEBI(Insider Trading) Regulations, 1992. this code is applicable to all directors/ officers/ designated employees. The code ensures the prevention of dealing in shares by person having access to unpublished price sensitive information.

Means of Communication

The quarterly, half-yearly and annual results of the Company are published in newspapers in Business line(National Issue) and Maalai Malar(Tamil daily). The results are also displayed on the Company's website www.precot.com Results and reports of the company available in SEBI's EDIFAR and www.nseindia.com

There were no specific presentations made to Institutional investors or to the analysis during the year.

Official news releases are made whenever it is considered necessary.

General Shareholder information:

Annual General Meeting

Date : Friday, 22nd August 2008

Time : 5.00 PM

Venue : Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018

Financial Year : 1st April 2007 to 31st March 2008

First Quarter un audited Results : July 2008

Second quarter and Half yearly un-audited result : October 2008

Third quarter un audited results : January 2009

Annual audited results : May or June 2009

Date of Book Closure : 1st August 2008 to 22nd August 2008

Dividend Payment Date : The Dividend warrants are dispatched within a fortnight of the date of Annual General Meeting.

Listing on Stock Exchanges.

The shares are listed in Coimbatore, Madras and National Stock Exchanges. Proposal to delist the shares from Coimbatore and Madras Stock Exchanges is placed before the shareholders at the ensuing Annual General Meeting.

Stock Code : National Stock Exchange : PRECOT

Note :

Annual listing fees for the year 2007-08 were paid to National Stock Exchange of India Limited and Madras Stock Exchange limited. Due to non - receipt of necessary intimation letter from coimbatore stock exchange limited the listing fee has not been paid so far.

MARKET PRICE DATA : National Stock Exchange
ISIN : INE283A01014 Symbol : PRECOT

Month	Prices(rs)		S&P Nifty	
	Low	High	Low	High
April 07	180.25	196.25	3633.60	4177.85
May 07	164.10	186.10	4066.80	4295.80
June 07	154.80	173.60	4113.05	4318.30
July 07	153.00	172.60	4313.75	4620.75
August 07	132.60	150.45	4074.90	4464.00
September 07	140.50	151.00	4474.65	5021.35
October 07	123.00	145.10	5068.95	5900.65
November 07	123.45	144.55	5519.35	5937.90
December 07	130.45	164.05	5742.30	6138.60
January 08	120.15	188.50	5033.45	6287.85
February 08	115.80	134.55	4838.25	5483.90
March 08	83.30	117.60	4503.10	4953.00



Report on Corporate Governance

Registrar and Share Transfer Agent (for both physical and demat segments)

Head Office:

M/s Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L B S Marg, Bhandup (west) Avenue, Mumbai 400 078
Tel : 022 25963838, Fax : 022 25946969
E-mail : isrl@intimespectrum.com

Branch:

M/s Intime Spectrum Registry Limited,
Surya, 35 Mayflower Avenue, Senthil Nagar,
Sowripalayam Road, Coimbatore 641028.
Ph : 0422 2314792, 2315792
E-mail : coimbatore@intimespectrum.com

Share Transfer Process

The company's shares being in compulsory demat list are transferable through the depository system. Shares in physical form are processed by the Registrar and transfer agents M/s Intime Spectrum Registry Limited and approved by the shareholders committee.

The share transfers are registered and returned within a period of 30 days of receipt if documents are in order. The share transfers are approved by the Share transfer committee which meets as and when required.

Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Distribution of Share holding as on 31st March 2008

Category	No of shares held	Percentage of holding
Promoter and Group	38,21,866	54.99
Mutual Funds	4,64,135	6.68
Banks	550	0.01
Insurance companies	33,063	0.48
Private corporate bodies	3,98,356	5.73
FII's	1167	0.02
NRIs	36535	0.53
Indian public	21,78,992	31.34
Others	15,336	0.22
Total	69,50,000	100.00

Distribution of Shareholding as on 31.03.2008

Shareholding range	No. of holders	Percentage of holders	No of shares	Percentage of shares
1-100	3024	41.44	169198	2.43
101-500	3402	46.62	762117	10.97
501-1000	426	5.84	316535	4.55
1001-2000	246	3.37	354501	5.10
2001-3000	91	1.25	228141	3.28
3001-4000	27	0.37	93442	1.34
4001-5000	24	0.33	108606	1.56
5001-10000	35	0.48	244537	3.52
10001 & above	22	0.30	4672923	67.24
Total	7297	100.00	6950000	100.00

Dematerialization of shares as on 31.03.2008.

Particulars	No of Shares	% to Share capital
National Securities Depository Limited	40,55,312	58.35
Central Depository Services (India) Limited	2,34,782	3.37
Total	42,90,094	61.72

The International Security Identification Number (ISIN) allotted to the company under depository system is INE283A01014

No Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity



Report on Corporate Governance

Plant Locations :

A Unit : Kanjikode, Palakkad, Kerala
B Unit : Kodigenahalli, Hindupur, Andhra Pradesh
M Unit : Nanjegoundanpudur, Pollachi, TamilNadu
C & D Unit : Chandrapuram, Walayar, Kerala
K Unit : Gowribidnur, Kolar, Karanataka
Weaving Unit : Vettaikaranpudur, Tamilnadu
Dyeing Unit : Perundurai, Tamil Nadu.

Address for Correspondence.

Precot Meridian Ltd,
Regd Office: "SUPREM"
PB 7161, 737, Puliakulam Road,
Coimbatore - 641045
E-mail : secretary@precot.com

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Chairman and Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2008, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the one level below the board, as on March 31, 2008.

Coimbatore
7th June 2008

D Sarath Chandran
Chairman and Managing Director

COMPLIANCE CERTIFICATE

TO THE MEMBERS OF PRECOT MERIDIAN LIMITED

We have examined the compliance of conditions of Corporate Governance by Precot Meridian Limited, for the year ended on 31.3.2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Relations Committee. We further state that such compliance is neither an assurance as to the future viability of the company nor the effectiveness with which the management has conducted the affairs of the Company.

Coimbatore
7th June, 2008

For Suri & Co.,
Chartered Accountants
C S Sathyanarayanan
Partner M.No. : 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner M.No. : 022883

1. Accounting Convention :

The financial statements have been prepared under the Historical Cost Convention on the basis of a going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

2. Fixed Assets :

Fixed Assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation, accumulated amortisation and cumulative impairment if any. Costs include preoperative expenses and all expenses related to acquisition and installation of the assets concerned.

3. Leases :

Assets leased out under operating leases are capitalized. Rental income is recognised on accrual basis over the lease term.

4. Borrowing Costs :

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All the other borrowing costs are charged to revenue. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

5. Impairment of Assets :

As at each Balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) the provision for impairment loss, if any, required or
- b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

6. Depreciation :

Depreciation is provided on the Straight Line Method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956. Intangible Assets are amortised over a period of five years.

7. Investments :

Investments are long term and are stated at cost. Provision for diminution in value of long-term investments is made, if the diminution is other than temporary.

8. Inventories :

- a) Inventories are valued at lower of cost and estimated net realizable value.
- b) The basis of determining cost for various categories of inventories are as follows:-
 - i) Raw Materials, Packing Materials & Stores and Spares: Weighted average basis.
 - ii) Finished Goods and Goods-In-Process: Cost of Direct Material, Labour & Other Manufacturing Overheads.

9. Foreign Currency Transactions :

- a) Foreign Currency Transactions are recorded at exchange rates prevailing on the date of such transaction.

- b) Monetary assets and Monetary liabilities at the year-end are realigned at the exchange rate prevailing at the year-end and the difference on realignment is recognized in the Profit and Loss Account.

- c) Premium/Discount in respect of Forward Contract is amortised as expense/income over the period of contract. Exchange difference arising on forward contracts between the exchange rate on the date of the transaction and the exchange rate prevailing at the year-end is recognised in the Profit and Loss Account.

10. Revenue Recognition:

- a) The company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch of goods.
- c) Domestic sales as reported in the profit and loss account are exclusive of tax/duties, if any, and trade discounts. Income from Export entitlements is accounted as and when the certainty of entitlement is determined.
- d) Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

11. Taxes on Income :

- a) Current Tax on income is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments/appeals.
- b) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Employee Benefits:

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term benefits which are defined benefit plans are recognised as an expense in the profit and loss account for the year in which the employee has rendered service. The expense is recognised based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on 'Employee Benefits'. Actuarial gains & losses are charged to the profit and loss account.
- c) Payments to defined contribution schemes are charged as expense as and when incurred.
- d) Termination benefits are recognised as an expense as and when incurred.



Performance Highlights

Rs. in Lacs

	2004	2005	2006	2007	2008
Operating Results					
Sales and other income	23638	24938	23693	33649	36947
PBIDT	3433	3392	4165	5852	4527
Interest	717	709	180	915	1103
PBDT	2716	2683	3985	4938	3425
Depreciation	1726	1809	1863	2415	2715
Taxes	223	64	620	634	197
Net profit	767	810	1502	1889	512
Dividend & Dividend Tax	215	218	373	407	163
Retained Profit	552	592	1129	1482	349
Performance Parameters					
Net Fixed Assets	11946	12950	13851	22792	24135
Share Capital	545	545	545	695	695
Reserves	9334	9771	10900	13479	13451
Net worth	11666	12091	13502	16706	16601
Borrowings	13019	10867	9590	19451	21215
Debt:Equity	1.1	0.9	0.7	1.2	1.3
Dividend (%)	35	35	60	50	20
Cash Earnings per share (Rs.)	46	48	62	62	46
Earnings per share (Rs.)	14	15	28	27	7

Sources of Funds	Schedule	As at	
		31.03.2008 Rs.Lacs	31.03.2007 Rs.Lacs
Shareholders' Funds			
Share Capital	1	695.00	695.00
Reserves & Surplus	2	13450.71	13478.86
		<u>14145.71</u>	<u>14173.86</u>
Loan Funds			
Secured Loans	3	20889.08	19171.06
Unsecured Loans	4	325.57	280.71
		<u>21214.65</u>	<u>19451.77</u>
Deferred Tax Liability		2455.22	2532.48
Total Funds Employed		<u>37815.58</u>	<u>36158.11</u>
Application of Funds			
Fixed Assets	5		
Gross Block		47376.99	42961.09
Less: Accumulated Depreciation		23631.50	21368.02
		<u>23745.49</u>	<u>21593.07</u>
Capital Work-in-progress		389.13	1198.59
Net Block		24134.62	22791.66
Investments	6	2419.36	2396.86
Current Assets, Loans and Advances			
A. Current Assets	7		
a) Inventories		7917.12	8116.74
b) Sundry Debtors		2651.67	1880.30
c) Cash & Bank Balances		609.59	483.46
d) Other Current Assets		872.19	494.20
B. Loans & Advances		3189.24	4249.74
		<u>15239.81</u>	<u>15224.44</u>
Less: Current Liabilities & Provisions	8	3978.21	4254.85
Net Current Assets		11261.60	10969.59
Miscellaneous Expenditure	9	-	-
Total Funds Deployed		<u>37815.58</u>	<u>36158.11</u>

Schedules 1 to 9, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Murugesh
Company Secretary

Coimbatore, 7th June 2008



Profit & Loss Account for the Year ended 31st March 2008

Income	Schedule	Year Ended 31.03.2008 Rs.Lacs	Year Ended 31.03.2007 Rs.Lacs
Sales - Domestic		24916.85	25682.66
- Exports		11731.91	7468.22
	10	36648.76	33150.88
Other Income	11	298.58	498.10
Increase / Decrease In Stock of Finished Goods.	12	330.49	392.72
		37277.83	34041.70
Expenditure			
Raw Materials	13	18237.86	15473.45
Salaries & Wages	14	3186.80	2840.90
Power & Fuel		4631.37	3853.78
Stores		1766.70	1422.76
Repairs & Maintenance	15	1954.88	1847.59
Processing Charges		372.15	715.82
Selling Expenses	16	1750.72	1400.63
Administrative Expenses	17	850.08	634.64
Interest and Finance Charges	18	1102.65	914.55
		33853.21	29104.12
Profit Before Depreciation and Tax		3424.62	4937.59
Less : Depreciation	5	2667.04	2367.81
Amortisation of intangible assets		48.37	46.76
		2715.41	2414.57
Profit Before Tax		709.21	2523.01
Less: a) Provision for Taxation		178.17	560.00
b) Fringe Benefit tax		17.00	23.15
c) Deferred Tax Adjustment		-77.26	50.73
d) Prov.for Taxation-Prior years		79.00	-
		196.91	633.88
Net Profit		512.30	1889.13
Add: Balance brought forward *		495.27	390.23
Profit available for Appropriation		1007.57	2279.36
Proposed Dividend		139.00	347.50
Tax on Proposed Dividend		23.62	59.06
Transfer to General Reserve		55.00	1500.00
Balance Carried Forward		789.95	372.80
		1007.57	2279.36
Earning Per Share - Refer Note No : 15 (Face value Rs.10/-per share)		7.37	27.18

Schedules 5 & 10 to 18, Significant accounting policies and Notes on accounts form part of this Profit and Loss account.
(* Includes Rs.122.47 lacs transferred on Merger of Meridian Industries Limited with the company w.e.f 01.04.2006.)

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Muruges
Company Secretary

Coimbatore, 7th June 2008



Schedules Annexed to the Accounts

	31.03.2008 Rs. Lacs	31.03.2007 Rs. Lacs
Schedule 1 - Share Capital		
Authorised		
9000000 Equity Shares of Rs.10 each (Previous Year 9000000 shares)	<u>900</u>	<u>900</u>
Issued & Subscribed		
7500000 Equity Shares of Rs.10 each (Previous Year 7500000 shares)	<u>750</u>	<u>750</u>
Paid Up		
6950000 Equity Shares of Rs.10 each (Previous Year 6950000 shares)	<u>695</u>	<u>695</u>

Note : a) 2625000 equity shares of Rs.10 each have been issued as fully - paid-up bonus shares by capitalisation of reserves
b) 550000 equity shares of Rs. 10 each were bought back in July 02
c) 1500000 Equity shares of Rs.10 were issued consequent to merger of - Meridian Industries Ltd with the company

Schedule 2 - Reserves and Surplus

	Opening	Additions	Withdrawals		
Capital Reserve	48.19	-	-	48.19	48.19
Share Premium	2212.46	-	-	2212.46	2212.46
General Reserve*	10339.23	55.00	377.83	10016.40	10339.23
Capital Investment Subsidy	28.71	-	-	28.71	28.71
Surplus in P&L account	495.27	512.30	217.62	789.95	495.27
Capital Redemption Reserve	355.00	-	-	355.00	355.00
	<u>13478.86</u>	<u>567.30</u>	<u>595.45</u>	<u>13450.71</u>	<u>13478.86</u>

*refer note no : 24 of notes forming part of accounts

Schedule 3 - Secured Loans

A) Term Loans from Banks

1) In Rupee	10761.11	9984.47
2) In Foreign Currency	5898.12	6053.64

B) Working Capital Facilities from Banks

1) In Rupee	2825.87	1099.79
2) In Foreign Currency	1403.98	2033.16
	<u>20889.08</u>	<u>19171.06</u>



Schedules Annexed to the Accounts

31.03.2008 31.03.2007
Rs. Lacs Rs. Lacs

Schedule 4 - Unsecured Loans

From Others

Sales tax Deferral Loan	325.57	280.71
	325.57	280.71

Schedule - 5 Fixed Assets (Rs. In Lacs)

	Gross Block				Depreciation				Net Block			
	As on 01.04.07	Additions		Sales / Transfers During the Year	As on 31.03.08	Up to 31.03.07	For the year		With- drawals during the year	Upto 31.03.08	As on 31.03.08	As on 31.03.07
		I	II			I	II					
A. Tangible Assets												
Land	450.53	-	2.21	-	452.74	-	-	-	-	-	452.74	450.53
Buildings	5136.36	974.02	31.25	5.89	6135.74	990.38	165.31	3.38	3.65	1155.42	4980.32	4145.98
Plant & Machinery	36735.34	3757.73	135.06	527.82	40100.31	20115.52	2460.42	46.64	493.12	22129.46	17970.85	16619.82
Office Furniture	145.62	47.90	0.21	-	193.73	55.59	10.4	0.05	-	66.04	127.69	90.03
Motor Vehicles	254.84	7.61	-	14.04	248.41	66.25	30.91	-	5.24	91.92	156.49	188.59
	42722.69	4787.26	168.73	547.75	47130.93	21227.74	2667.04	50.07	502.01	23442.84	23688.08	21494.95
B. Intangible Assets												
ERP Expenditure & Softwares	238.4	7.66	-	-	246.06	140.28	48.37	-	-	188.65	57.41	98.12
	42961.09	4794.92	168.73	547.75	47376.99	21368.02	2715.41	50.07	502.01	23631.5	23745.49	21593.07
Capital work in progress	1198.59	387.26	-	1196.72	389.13	-	-	-	-	-	389.13	1198.59
Total	44159.68	5182.18	168.73	1744.47	47766.12	21368.02	2715.41	50.07	502.01	23631.50	24134.62	22791.66

Note : Column I Refers to Additions during / Depreciation for the year and Column II refers to Transfer of Assets/ Accumulated Depreciation consequent to the acquisition of the business of "Suprem Textiles Processing Ltd"

Schedule 6 - Investments (Long Term)

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.08 in Nos.	31.03.07 in Nos.	31.03.08 Rs. Lacs	31.03.07 Rs. Lacs
A. Equity Shares (Fully paid up)					
Trade - Quoted					
Lakshmi Synthetic Machinery Manufacturers Ltd	10	30000	30000	- (b)	- (b)
Non Trade - Quoted					
Pricol Limited	1	5462250	5462250	197.47	197.47
Trade - Unquoted					
Vantex Limited	10	100000	100000	19.00	19.00



Schedules Annexed to the Accounts

Schedule 6 - Investments (Long Term) (Contd...)

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.08 in Nos.	31.03.07 in Nos.	31.03.08 Rs. Lacs	31.03.07 Rs. Lacs
A.P. Gas Power Corporation Limited	10	1206000	1206000	1964.87	1964.87
Sai Regency Power Corporation P Ltd	10	225000	-	22.50	0.00
OPG Energy Pvt Ltd	10	340000	340000	34.00	34.00
Non Trade - Unquoted					
Precot Mills Employees Cooperative - - Credit Society	10	100	100	0.01	0.01
Precot Mills Multi purpose stores	10	100	100	0.01	0.01
Subsidiaries					
Multiflora Processing(Cbe) Ltd	10	250000	250000	25.00	25.00
Suprem Textiles Processing Limited	100	100000	100000	100.00	100.00
Precot Meridian Energy Ltd - refer note (c) below	10	50000	50000	5.00	5.00
Benwood Corporation Sdn Bhd	(a)	500000	500000	41.60	41.60
B. Investment in Partnership Firm				9.90	9.90
				2419.36	2396.86
Quoted investments - Cost				197.47	197.47
- Market Value				1122.49	1794.35
Unquoted investment - Cost				2221.89	2199.39

- (a) Malaysian Co, Face Value of each share - RM 1 each.
(b) Diminution, other than temporary, in the value of Investment adjusted.
(c) Formerly Precot Spintex Ltd.

Schedule 7 - Current Assets, Loans & Advances	31.03.2008 Rs. Lacs	31.03.2007 Rs. Lacs
A. Current Assets:		
Inventories - At Lower Of Cost & Estm.Net Realisable Value.		
(As valued and certified by Management)		
Raw materials	4896.00	5294.01
Stock-in-process	1288.91	1369.60
Waste Cotton	51.23	37.92
Finished Goods	1341.51	1011.02
Stock of Stores	339.47	404.19
	7917.12	8116.74

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
Schedule 7 - Current Assets, Loans & Advances (Contd...)		
Sundry Debtors		
Unsecured and considered good		
Outstanding for a period exceeding six months	27.88	24.47
Other debts	<u>2623.79</u>	<u>1855.83</u>
	<u>2651.67</u>	<u>1880.30</u>
Cash and Balances with Scheduled Banks		
Balances with scheduled Banks		
In Current Account	569.54	433.99
In Unpaid Dividend Account	29.41	33.55
Cash, Cheques and Stamps on hand	<u>10.64</u>	<u>15.92</u>
	<u>609.59</u>	<u>483.46</u>
Other Current Assets		
Income accrued and receivable	<u>872.19</u>	<u>494.20</u>
	<u>872.19</u>	<u>494.20</u>
B. Loans and Advances		
Unsecured, considered good recoverable in cash or in kind or for value to be received:		
Prepaid Expenses	67.70	56.00
Balance Recoverable from Govt. authorities	14.58	8.43
Tax payment pending adjustments	1468.69	1273.26
Advance to others /suppliers	728.62	2445.19
Deposits with Government Authorities	200.73	155.25
Other Deposits	<u>708.92</u>	<u>311.61</u>
	<u>3189.24</u>	<u>4249.74</u>
Schedule 8 - Current Liabilities and Provisions		
A. Current Liabilities		
Sundry Creditors		
Dues to Micro & Small enterprises - Ref. Note No. 23	-	-
Others	2349.04	2571.83
Interest accrued and due	0.02	0.23
Trade Deposits	55.39	54.33
Investor Education and Protection Fund items not due		
a) Unclaimed dividends	29.41	33.55
b) Matured unclaimed Fixed Deposits	0.15	1.94
B. Provisions		
Provision for Taxation	1332.26	1148.09
Provision for Gratuity & Super annuation	49.32	38.32
Proposed Dividend	139.00	347.50
Tax on Dividend	<u>23.62</u>	<u>59.06</u>
	<u>3978.21</u>	<u>4254.85</u>
Schedule 9 - Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
a) Deferred Voluntary Retirement Compensation as per last balance sheet	-	267.42
Add : Additions during the year	-	-
Less : Written off during the year	-	16.95
Adjusted against share premium	<u>-</u>	<u>250.47</u>
	<u>-</u>	<u>-</u>



Schedules Annexed to the Accounts

		31.03.2008 Rs. Lacs	31.03.2007 Rs. Lacs
Schedule 10 - Sales			
Gross Sales Domestic	- Yarn	19079.32	20002.36
	- Fabric	5690.21	4946.47
	- Garment	147.32	46.53
	- Wind Energy	-	35.56
	- Processing charges Receipt	-	651.74
		24916.85	25682.66
Direct Exports	- Yarn	11708.66	7453.36
	- Fabric	23.25	14.86
		11731.91	7468.22
		36648.76	33150.88
Schedule 11 - Other Income			
Income from Trade Investments			
	Dividends from subsidiaries.	6.16	8.01
	Dividends from other than subsidiaries.	1.50	8.90
Income from Non-Trade Investments			
	Dividends from other than subsidiaries.	56.55	54.62
	Profit on Sale of Investments (net)	0.96	31.85
	Profit On Sale of Assets (net)	31.99	-
	Foreign Exchange Gain	-	223.26
	Lease Rental Receipts	0.36	-
	Rent Receipts	16.18	11.81
	Agricultural Income	4.53	6.89
	Insurance Claim Receipts	24.17	1.92
	Scrap-sales	71.92	71.33
	Waste Packing Receipts	15.12	15.47
	Miscellaneous Income	69.14	64.04
		298.58	498.10
Schedule 12 - Finished Goods - stock differential			
Change in stock Finished Goods			
	Stock at Closing	1341.51	1011.02
	Less : Stock at Opening	1011.02	618.30
		330.49	392.72
Schedule 13 - Raw Materials Consumed			
Opening Stock			
	Raw Material	5294.01	3999.14
	Stock in Process	1369.60	816.03
	Waste Cotton	37.92	15.51
		6701.53	4830.68
Add : Purchases		18122.08	17754.17
Less : Sale of Waste		349.61	409.87
		17772.47	17344.30
		24474.00	22174.98
Less: Closing Stock			
	Raw Material	4896.00	5294.01
	Stock in Process	1288.91	1369.60
	Waste Cotton	51.23	37.92
		6236.14	6701.53
		18237.86	15473.45



Schedules Annexed to the Accounts

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
Schedule 14 - Salaries and Wages		
Salaries, Wages and Bonus	2695.40	2332.23
Contribution to Provident Fund, ESI	235.29	201.60
Gratuity & Superannuation Fund	19.94	22.88
Welfare expenses	155.42	125.60
Managing Director's remuneration	42.53	92.78
Directors' remuneration	38.22	65.81
	<u>3186.80</u>	<u>2840.90</u>
Schedule 15 - Repairs and Maintenance		
Building	161.06	145.21
Machinery	1661.83	1577.96
Others	131.99	124.42
	<u>1954.88</u>	<u>1847.59</u>
Schedule 16 - Selling Expenses		
Yarn Brokerage and Commission	514.60	490.23
Export-Freight and handling & Commission	768.06	372.33
Transport charges from Mills to Depots	247.86	267.66
Quality / Delivery claims	59.62	101.75
Fabric / Garment Selling Expenses	19.17	51.10
Other selling expenses	141.41	117.56
	<u>1750.72</u>	<u>1400.63</u>
Schedule 17 - Administrative Expenses		
Insurance	54.73	51.77
Postage and Telegram	47.04	39.07
Printing and Stationery	56.42	45.46
Travelling Expenses	103.10	104.85
Taxes and Licence	44.97	61.86
Professional Charges	121.49	67.80
Directors sitting fees	4.53	3.30
Books periodicals & subscriptions	5.23	13.51
Establishment Charges	65.76	91.53
ISO Expenses	11.61	11.41
Rent	8.69	9.70
Security Charges	47.89	25.19
Advertisement Charges	8.43	12.43
Agricultural Expenses	4.69	5.22
Loss on sale of Assets (Net)	-	3.25
Foreign Exchange Loss (Net)	227.07	-
Others	38.43	88.31
	<u>850.08</u>	<u>634.64</u>
Schedule 18 - Interest and Finance Charges		
Fixed Loans	1028.14	605.27
Others	62.67	282.26
Bank Charges and Commissions	40.02	56.32
Less : Interest receipts	28.18	29.30
	<u>1102.65</u>	<u>914.55</u>



Notes forming part of Accounts

1. Security for Borrowings :
- Term Loans from banks are secured by an equitable mortgage by way of paripassu first charge on all the immovable properties of the company and mortgage of Plant and machinery.
 - Working Capital facilities from the banks are secured by pari passu first charge on Current Assets and second charge on immovable properties.
2. Income Tax assessments have been completed upto Assessment Year 2005-2006. Certain demands relating to earlier years have been disputed by the company before the appellate authorities. In view of the nature of disputes, no provision for taxation is considered necessary in respect of these demands.

	31.03.2008		31.03.2007
	Rs. Lacs		Rs. Lacs
3. Estimated amount of contracts remaining to be executed on capital account and not provided for	290.53		241.62
4. Amounts outstanding on account of Letters of Credit opened	122.49		462.95
5. Contingent liabilities in respect of :			
Bills discounted	1575.69		1085.53
Guarantees	466.54		444.74
Export Obligation under EPCG Scheme	2156.79		25472.92
[The Export Obligations are to be fulfilled over a period of 8 years from the date of import of capital goods]			
Disputed foreign Currency Derivative contracts (see note no : 25 a)	1460.00		Nil
6. Disputed Statutory Liabilities not provided for	356.36		310.12
7(a) Computation of Net Profit for ascertaining the commission payable to the Managing Director and Directors.			
Net Profit as per P&L Account	709.21		2523.01
Add			
Managing Directors Remuneration	39.04	92.78	
Directors Remuneration	35.08	65.81	
Sitting Fees	4.53	3.30	
Loss on sale of Investments	0.01	-	161.89
	78.66		2684.90
Less:			
Profit on sale of Investments	0.97		31.85
	786.90		2653.05
Maximum Remuneration Payable to Directors 10% of the above	78.69		265.31
Commission - Managing Director	16.61		66.32
Operations Director	5.90		7.50
President	5.90		7.50
Executive Director	-		7.50
	28.41		88.82



Notes forming part of Accounts

b. Remuneration to Managing Director

i) Salaries, Allowances etc	18.14	16.64
ii) Contribution to Super annuation and Provident Funds	3.50	3.21
iii) Medical Benefits and reimbursement of other expenses	4.28	6.61
iv) Commission to Managing Director	16.61	66.32
	42.53	92.78

c. Remuneration to Whole time Directors:

i) Salaries, Allowances etc	17.86	29.84
ii) Contribution to Super annuation and Provident Funds	3.14	5.15
iii) Medical Benefits and reimbursement of other expenses	5.42	8.32
iv) Commission to Directors	11.80	22.50
	38.22	65.81

d. Sundry Creditors includes a sum of Rs.18.75 lakhs payable to Directors.
(Previous year Rs. 88.82 lakhs)

8. Earnings in Foreign Exchange - Export of Goods - FOB Value 11430.42 7351.31

9. Expenditure in Foreign Currency (Payment Basis)

CIF Value of Imports:

a) Raw Materials	467.93	658.50
b) Components and Spares	435.69	544.01
c) Capital Goods	801.06	1940.09
d) Export Commission	108.01	125.28
e) Travelling Expenses	4.97	7.28
f) Quality Claim	0.44	5.20
g) Interest	446.15	207.97
h) Others	5.48	-
	2269.73	3488.33

10. Administrative Expenses - Others includes Auditors' remuneration as under:

i) Statutory Audit	4.25	3.00
Service Tax thereon	0.53	0.37
ii) Tax Audit	0.86	0.72
iii) Certification and Other Services	0.18	0.59
iv) Reimbursement of expenses	0.54	0.22
	6.36	4.90

11. Licensed, installed capacity and actual production :

a Licensed Capacity - Not applicable since the industry is delicensed

b Installed Capacity

Spindles	Nos	204960	191808
Rotors	Nos	1728	1536
Looms	Nos	117	117



Notes forming part of Accounts

	Qty	31.03.2008 Value In Lacs	Qty	31.03.2007 Value In Lacs
C. Yarn (Kgs)				
Opening Stock	7.77	931.74	3.23	485.58
Production	283.18	-	250.05	-
Sales	268.31	30787.98	233.80	27455.72
Captive Consumption	12.55	-	11.71	-
Closing Stock	10.09	1209.96	7.77	931.74
D. Fabrics (Mtrs)				
Opening Stock	1.07	74.65	1.70	118.36
Production	59.18	-	55.67	-
Sales	56.79	5713.46	54.84	4961.33
Captive Consumption	1.82	-	1.46	-
Closing Stock	1.64	115.49	1.07	74.65
E. Garments (Qty In Nos.)				
Opening Stock	2316.00	4.63	8159.00	14.36
Production	56669.00	-	13838.00	-
Sales	50115.00	147.32	19681.00	46.53
Closing Stock	8870.00	16.06	2316.00	4.63
F. Waste (Kgs)				
Opening Stock	1.80	37.92	0.62	15.51
Production	99.81	-	82.62	-
Sales	33.97	349.61	26.90	409.87
Captive Consumption	65.36	-	54.54	-
Closing Stock	2.28	51.23	1.80	37.92
G. Wind Energy (Units)				
Production	157.87	-	195.74	-
Own Consumption	157.87	-	181.52	-
Sales	-	-	14.22	35.56
12. Consumption	Value	% of	Value	% of
Raw Materials	Rs. Lacs	Consumption	Rs. Lacs	Consumption
Imported	812.85	4.46	517.71	3.35
Indigenous	17425.02	95.54	14955.73	96.65
	<u>18237.87</u>	<u>100.00</u>	<u>15473.45</u>	<u>100.00</u>
Stores & Spares				
Imported	223.16	12.63	285.32	20.05
Indigenous	1543.54	87.37	1137.44	79.95
	<u>1766.70</u>	<u>100.00</u>	<u>1422.76</u>	<u>100.00</u>

13. Particulars regarding investment in the capital of a Partnership Firm

Name of the Firm : Suprem Associates Name of the Partners	31.03.2008		31.03.2007	
	Capital Contribution Rs. Lacs	Sharing Ratio %	Capital Contribution Rs. Lacs	Sharing Ratio %
Precot Meridian Ltd	9.90	99.00	9.90	99.00
Suprem Textile Processing Ltd.	0.10	1.00	0.10	1.00
	<u>10.00</u>	<u>100.00</u>	<u>10.00</u>	<u>100.00</u>

**14 a) Movement of Investments
During the year.**

	Opening	Additions	sold	Closing
Pricol Ltd	197.47	-	-	197.47
Vantex Ltd	19	-	-	19.00
A.P. Gas Power Corporation Limited	1964.87	-	-	1964.87
Suprem Textile Processing Ltd.	100	-	-	100.00
Multi flora Processing (CBE) Ltd	25	-	-	25.00
Precot Meridian Energy Ltd	5	-	-	5.00
Benwood Corporation Sdn Bhd.	41.60	-	-	41.60
Suprem Associates	9.90	-	-	9.90
OPG Energy Pvt Ltd	34	-	-	34.00
Sairegency Power corporation	0	22.50	-	22.50
Others	0.02	-	-	0.02
Total	<u>2396.86</u>	<u>22.50</u>	<u>0.00</u>	<u>2419.36</u>

b) Investments in Mutual Funds

Mutual Fund Units purchased and redeemed during the year

	Face Value	Units In Lacs	Cost Rs. In Lacs
Sundaram BNP Paribas Money Fund INST-Weekly			
Dividend Reinvestment Fund	10.00	196.59	2056.57

15 Earnings Per Share

	31.3.2008	31.3.2007
a) Net Profit available for Equity Shareholders (A) (in Lacs)	512.30	1889.13
b) Weighted Average number of equity shares (B) (in Lacs)	69.50	69.50
c) Earnings per Share (A)/(B)	7.37	27.18
d) Face Value per share	10.00	10.00

16. The Deferred Tax Liability as at 31st March 2008 comprise of the following

a. Deferred Tax Liability on account of :

(i) Related to Fixed Assets	2644.42	2622.17
	<u>2644.42</u>	<u>2622.17</u>

b. Deferred Tax Asset on account of :

(i) Capital Loss	-31.46	-56.3
(ii) Bonus and VRS	-57.54	-20.33
(iii) Gratuity and Others	-100.20	-13.02
	<u>-189.20</u>	<u>-89.69</u>

Net Liability	<u>2455.22</u>	<u>2532.48</u>
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17. Previous year's figures have been regrouped wherever necessary to conform to current year's classification.
18. The operations of the company mainly relates to one segment namely, Textiles
19. The business of "Supreme Textiles processing Ltd, an unlisted subsidiary of the company, was acquired w.e.f 01.04.2007 on a going concern basis. Consequently the assets and liabilities transferred to the company have been included under the respective heads.
20. The Company has opted out of levy of Excise duty from July 2004.
21. Voluntary retirement compensation paid amounting to Rs.16 Lacs has been written off during the year
22. The company has recognised an expenditure of Rs. 182.59 lakhs in the profit and loss account being exchange difference relating to acquisition of fixed assets. This is due to the changes made to Accounting Standard 11 read with the Companies (Accounting Standard) Rules, 2006 issued by the Ministry of Companies Affairs, vide Notification dated 7.12.2006 and applicable from 1.04.2007. Had there been no change, the same would have been adjusted against the carrying amount of fixed assets.
23. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to Micro and small enterprises, outstanding as on 31.03.2008.
24. Pursuant to the adoption of the Revised Accounting standard 15 on 'Employee Benefits' effective from 1.04.2007, the transitional liability thereto in respect of certain employee benefits amounting to Rs.377.83 Lacs, has been adjusted against General reserve.
25. a) During the year ended 31st March 2008, apart from forward contracts, based on advise from bankers, the company has entered into certain foreign exchange derivative contracts. The company has since been advised that some of these contracts are void being inter-alia contrary to the provisions of current exchange control regulations including the RBI master circular/guidelines on derivatives. Accordingly the company has preferred suits for declaring some of these contracts as void. The disputed liability on these contracts amounts to Rs. 1460 Lacs.
- b) The company also has certain other unexpired foreign currency derivative contracts as on 31.03.2008. The estimated notional loss on these contracts is Rs 1530 Lacs. These contracts mature over the next three financial years. The actual losses could vary in view of the highly volatile currency markets. The company is exploring all possibilities to mitigate the losses. Accordingly no provision has been made during the year.

26. Disclosures regarding Gratuity Plan:

a) Description of the company's defined benefit plan

The company operates a defined benefit plan for payment of post employment benefits in the form of gratuity. Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided for in the payment of Gratuity Act,1972. The terms of the benefits are common for all the employees of the company.

b) Reconciliation in respect of the charges in the Present value of the obligation:

I. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) -

RECONCILIATION OF OPENING AND CLOSING BALANCES:	(Rs in Lacs)
PVO as at the beginning of the period	530.28
Interest Cost	40.91
Current service cost	25.15
Past service cost - (non vested benefits)	-
Past service cost - (vested benefits)	-
Benefits paid	-37.85
Actuarial loss/(gain) on obligation (balancing figure)	21.76
PVO as at the end of the period	580.25

II. CHANGES IN THE FAIR VALUE OF PLAN ASSETS -

RECONCILIATION OF OPENING AND CLOSING BALANCES:	
Fair value of plan assets as at the beginning of the period	491.96
Expected return on plan assets	37.89
Contributions	1.24
Benefits paid	-37.85
Actuarial gain/(loss) on plan assets [balancing figure]	37.69
Fair value of plan assets as at the end of the period	530.93

III. ACTUAL RETURN RETURN ON PLAN ASSETS

Expected return on plan assets	37.89
Actuarial gain (loss) on plan assets	37.69
Actual return on plan assets	75.58

IV. ACTUARIAL GAIN / LOSS RECOGNIZED

Actuarial gain / (loss) for the period - Obligation	-21.76
Actuarial gain / (loss) for the period- Plan Assets	37.69
Total (gain) / loss for the period	-15.93
Actuarial (gain) / loss recognized in the period	-15.93
Unrecognized actuarial (gain) / loss at the end of the year	-

V. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES

Present value of the obligation	580.25
Fair value of plan assets	530.93
Difference	49.32
Unrecognised transitional liability	-
Unrecognised past service cost - non vested benefits	-
Liability recognized in the balance sheet	49.32

VI. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:	
Current service cost	25.15
Interest Cost	40.91
Expected return on plan assets	-37.89
Net actuarial (gain)/loss recognised in the year	-15.93
Transitional Liability recognised in the year	-
Past service cost - non-vested benefits	-
Past service cost - vested benefits	-
Expenses recognized in the statement of profit and loss	12.24
VII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET	
Opening net liability	38.32
Expense as above	12.24
Contribution paid	-1.24
Closing net liability	49.32
VIII. AMOUNT FOR THE CURRENT PERIOD	
Present Value of obligation	580.25
Plan Assets	530.93
Surplus (Deficit)	-49.32
Experience adjustments on plan liabilities	-89.66
Experience adjustments on plan assets	37.69
IX. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)	
Government of India Securities	-
State Government Securities	-
High Quality Corporate Bonds	-
Equity shares of listed companies	-
Property	-
Special Deposit Scheme	-
Funds managed by Insurer	99.84%
Others (to specify) Bank Cash Deposit	0.16%
Total	100.00%
X. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR	75.00

27 Related Party Disclosure :

List of related parties with whom transactions have taken place
 Holding Co : Nil, Subsidiary Co : Suprem Textiles Processing Ltd, Multiflora Processing (CBE) Ltd,
 Precot Meridian Energy Ltd., Benwood Corporation Sdn Bhd Key Mgt Personnel :
 Mr D Sarath Chandran, Mr Ashwin Chandran, Mr.P.Saiprakash, Mr Prashanth Chandran. Others:
 Suprem Associates.



Notes forming part of Accounts

Nature of Transaction	Rs. Lacs					
	2007-08			2006-07		
	Subsidiary Co	Key Mgt Personnel	Others	Subsidiary Co	Key Mgt Personnel	Others
Lease Rental / Deposit	-	-	71.62	-	-	75.49
Wind Energy Income	-	-	-	35.56	-	-
Processing Charges Receipt	-	-	-	644.36	-	-
Processing Charges Payment	-	-	-	280.6	-	-
Sale of Yarn	703.40	-	-	493.56	-	-
Commission on Exports	34.89	-	-	20.64	-	-
Dividend Recd	6.16	-	-	8.01	-	-
Remuneration	-	80.75	-	-	160.63	-
Amount Outstanding as at year end - Dr	144.27	-	71.62	213.82	-	75.49
Amount Outstanding as at year end - Cr	30.40	-	-	32.41	-	-
Provision for Doubtful Debts / Write Backs / Write Off	-	-	-	-	-	-

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Muruges
Company Secretary

Coimbatore, 7th June 2008



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details			
Registration No.	: 1183	State Code	: 18
Balance Sheet Date	: 31.03.2008		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)			
Total Liabilities	: 3781557	Total Assets	: 3781557
Sources of Funds			
Paid-up Capital	: 69500	Reserves & Surplus	: 1590593
Secured Loans	: 2088908	Unsecured Loans	: 32557
Application Funds			
Net Fixed Assets	: 2413463	Investments	: 241936
Net Current Assets	: 1126159	Misc. Expenditure	: -
Accumulated Losses	: NIL		
IV Performance of Company(Amount in Rs Thousands)			
Total Income	: 3727783	Total Expenditure	: 3656862
Profit Before Tax	: 70921	Profit After Tax	: 51230
Earning Per Share	: 7.37	Dividend %	: 20%
V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No. (ITC Code)		Major Product Description	
5205.11		Cotton Yarn	
5207.39		Processed Fabrics	
5508.10		Polyster Sewing Thread	

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D Sarath Chandran
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Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Murugesh
Company Secretary

Coimbatore, 7th June 2008

Statement Pursuant to Section 212 of the Companies Act, 1956

1	Name of Subsidiary	Suprem Textiles Processing Limited	Multiflora Processing (CBE) Limited	Precot Meridian Energy Limited	Benwood Corporation Sdn Bhd
2	Financial year ending	31.03.2008	31.03.2008	31.03.2008	31.12.2007
3	No.of Shares(fully paid up) held by the Company on the above dates	100000 Equity Shares of Rs 100 each	250000 Equity Shares of Rs 10 each	50000 Equity Shares of Rs 10 each	500000 Ordinary Shares of RM 1 each
4	Extent of Holding Company's Interest	100%	100%	100%	100%
5	Net aggregate amount of Subsidiary's Profit/(Losses) (Rs in lacs)				
	a) not dealt with in the accounts of the Company				
	i. for the year ended 31st March, 2008	225804	-37354	58417	6442437
	ii. for the previous financial year	-66007	133280	-5056	2907304
	b) dealt with in the accounts of the Company				
	i. for the year ended 31st March, 2008	-	-	-	-
	ii. for the previous financial year	-	-	-	-

Notes : a) There has been no change in the Holding company's interest in the Subsidiary between the end of the financial year of the Subsidiary and the end of the financial year of the Holding Company

b) No material changes have occurred between the end of the financial year of the Subsidiary and the Holding Company's financial year in respect of the Subsidiary's (i) fixed assets, (ii) investments, (iii) moneys lent and (iv) moneys borrowed for any purpose other than that of meeting current liabilities.

D Sarath Chandran
Chairman & Managing Director

Ashwin Chandran
Joint Managing Director

R. Murali
Head - Finance

C. Murugesh
Company Secretary



Cash Flow Statement

	31.03.2008 Rs. Lacs	31.03.2007 Rs. Lacs	
A. Cash Flow From Operating Activities			
Net Profit Before Tax and Extraordinary Items	709.21		2523.01
Adjustment For:			
Depreciation	2715.41	2414.57	
(Profit)/Loss on Sale of Assets	(31.99)	3.25	
Investment Income - Dividend	(64.21)	(71.53)	
(Interest Income)	(28.18)	(29.30)	
VRS written off during the year	-	16.95	
Agricultural (Income) / Expenses	0.16	(1.67)	
(Profit) / Loss on Sale of Investments	(0.96)	(31.85)	
Interest Payments	1130.83	943.85	
	<u>3721.06</u>		<u>3244.27</u>
Operating Profit Before Working Capital Changes	4430.27		5767.28
Adjustments For:			
Trade Receivables	(771.37)	(497.56)	
Other Receivables	877.94	(1001.54)	
Inventories	199.62	(949.16)	
Trade Payables	(594.73)	(1577.41)	
	<u>(288.54)</u>		<u>(4025.67)</u>
Cash Generated From Operations	4141.73		1741.60
Direct Taxes Paid	(285.43)		(493.85)
Net Cash Flow From Operating Activities	3856.30		1247.77
B. Cash Flow From Investing Activities:-			
Purchase Of Fixed Assets	(4104.10)	(7709.01)	
Sale/Write Off Of Fixed Assets	77.73	86.03	
Purchase Of Investments	(22.50)	-	
Sale of Investments (Net)	0.96	49.84	
Interest Received	28.18	29.30	
Dividend Received	64.21	71.53	
Agricultural Income/(Expenditure)	(0.16)	1.67	
Net Cash Flow From Investing Activities	(3955.68)		(7470.64)
C. Cash Flow From Financing Activities:-			
Dividends Paid	(406.56)	(504.19)	
Interest Paid	(1130.83)	(947.64)	
Proceeds From Long Term Borrowings	621.12	6090.28	
Proceeds From Unsecured Loan/Deposits	44.86	16.83	
Proceeds From Working Capital Borrowings	1096.90	997.20	
Net Cash Flow From Financing Activities	225.49		5652.48
Net Increase/(Decrease) In Cash And Cash Equivalent	126.12		(570.39)
Cash And Cash Equivalents As At 1.4.2007			
And 1.4.2006 (Opening Balance)	483.47		1053.86*
Cash And Cash Equivalents As At 31.03.2008			
And 31.3.2007 (Closing Balance)	609.59		483.47

*1.4.2006 balance includes opening balance of Meridian Industries Limited Rs. 16.66 lacs.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Muruges
Company Secretary

Coimbatore, 7th June 2008

We have audited the attached Balance Sheet of Precot Meridian Limited, Coimbatore, as at 31st March, 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of the written representation received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information, and according to the explanations given to us, and **Subject to note no.25(b) in the notes on accounts, regarding non provision of estimated notional losses amounting to Rs. 1530 Lakhs in respect of certain unexpired foreign currency derivative contracts, consequent to which the profit for the year is overstated and the current liabilities and provisions are understated to that extent** the said financial statements give the information required by the Companies Act, 1956, in the manner so required and

present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
- b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

Annexure to Auditors' Report

1. a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b. The assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its business. The frequency of verification is reasonable and the discrepancies noticed on such physical verification were not material and have been properly dealt with in the books of account.
c. The company has not disposed off a substantial part of its fixed assets during the year and the going concern assumption of the company is not affected.
2. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c. The company has maintained proper records of inventory and the discrepancies noticed on physical verification as compared to book records were not material and have been appropriately dealt with in the books of account.
3. a. The company has not, during the year, taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.
b. The company has not, during the year, granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act. In respect of loans already granted by the company to a partnership firm in which the company is a partner, the loans are interest free and are repayable on demand.
4. There are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control system.

5. a. The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not taken or renewed any deposits from the public during the year.
7. The company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. a. The company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues applicable to it. According to the information and the explanations given to us, no undisputed amounts payable in respect of the above statutory dues were in arrears, as at 31.03.2008, for a period of more than six months from the date they became payable.

b. The details of disputed statutory dues are given below:

Name of the Nature	Nature of the dues	Financial year	Amount of demand (Rs. in Lacs)	Amount paid (Rs. in Lacs)	Forum where dispute is pending
Central Excise	Tax	2001-2002	115.90	NIL	CESTAT
Central Excise	Tax	2000-01 to 2001-02	216.37	NIL	Supreme Court
Central Excise	Tax & Interest	2003-04	3.12	NIL	Commissioner Appeals (CE)
Service Tax	Tax	2006-07	7.38	7.38	Assistant Commissioner(CE)
Service Tax	Tax & Interest	2002-03 to 2005-06	2.84	NIL	Assistant Commissioner(CE)
Service Tax	Tax	2004-05 & 2005-06	1.65	NIL	Assistant Commissioner(CE)
Entry Tax	Tax	2005-06	5.00	NIL	Supreme Court
Building Tax	Tax	2000-01	4.10	2.00	RDO

10. The company does not have any accumulated losses as at 31.03.2008. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to financial Institutions or banks.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi or mutual benefit fund/ society and hence the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
16. The company has applied the term loans for the purposes for which they were raised.
17. According to the information and the explanations given to us and on an overall examination of the source and application of the funds of the company, we report that no funds raised on short-term basis have been used for long- term investments by the company.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
19. The company has not issued any debentures.
20. During the year, the company has not raised monies by public issue.
21. According to the information and the explanations given to us and the books and records examined by us, no fraud by the company has been noticed or reported during the year. However an attempted fraud on the company has been noticed, for which the company has initiated legal action.

Coimbatore
7th June, 2008

For Suri & Co.,
Chartered Accountants
C S Sathyanarayanan
Partner, M.No. : 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner, M.No. : 022883

Sources of Funds	Schedule	As at 31.03.2008 Rs.Lacs	As at 31.03.2007 Rs.Lacs
Shareholders' Funds			
Share Capital	1	695.00	695.00
Reserves & Surplus	2	13725.11	13670.09
Loan Funds			
Secured Loans	3	20889.08	19171.06
Unsecured Loans	4	325.57	280.71
Deferred Tax Liability		2456.08	2533.01
Total Funds Employed		<u>38090.84</u>	<u>36349.87</u>
Application of Funds			
Fixed Assets			
Gross Block		47299.82	43044.78
Less: Depreciation		23633.40	21419.32
		<u>23666.42</u>	<u>21625.46</u>
Capital Work-in-progress		389.13	1198.59
Net Block	5	24055.55	22824.05
Investments	6	2239.74	2217.24
Current Assets			
a) Inventories		8162.63	8336.80
b) Sundry Debtors		2916.77	2100.84
c) Cash & Bank Balances		752.67	691.76
d) Other Current Assets		872.19	494.40
Loans & Advances	7	3218.04	4168.35
		15922.30	15792.15
Less: Current Liabilities & Provisions	8	4126.75	4483.57
Net Current Assets		<u>11795.55</u>	<u>11308.58</u>
Miscellaneous Expenditure	9	-	-
Total Funds Deployed		<u>38090.84</u>	<u>36349.87</u>

Schedules 1 to 9, Significant accounting policies and notes on Consolidated Accounts form part of this Balance Sheet.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

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Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Murugesh
Company Secretary

Coimbatore, 7th June 2008



Consolidated Profit & Loss Account

		Year Ended 31.03.2008 Rs.Lacs	Year Ended 31.03.2007 Rs.Lacs
Income	Schedule		
Sales - Domestic	10	25840.47	26619.83
- Exports		11731.91	7468.22
Other Income	11	337.20	504.61
Share in Profits / Loss of associates for the year		-	0.00
Increase / Decrease In Stock of finished goods	12	414.19	503.98
		38323.77	35096.64
Expenditure			
Raw Materials	13	19129.13	16370.63
Salaries & Wages	14	3202.50	2952.12
Power & Fuel		4631.37	3901.01
Stores		1766.70	1496.44
Repairs & Maintenance	15	1957.69	1908.61
Processing Charges		372.13	432.61
Selling Expenses	16	1762.65	1436.36
Administrative Expenses	17	884.28	691.41
Interest and Finance Charges	18	1105.20	910.15
		34811.65	30099.34
Profit before depreciation and tax		3512.12	4997.30
Less : Depreciation		2668.94	2384.43
Amortisation of intangible assets		48.37	46.76
Profit Before Tax		794.81	2566.11
Less : a) Provision for Taxation		197.27	567.03
b) Fringe Benefit tax		17.00	23.15
c) Deferred Tax Adjustment		-77.26	50.73
d) Provision for taxation (prior years)		79.00	-
Net Profit		578.80	1925.20
Add: Balance brought forward*		299.12	380.55
Profit available for Appropriation		877.92	2305.73
Proposed Dividend		139.00	347.50
Tax on Proposed Dividend		23.62	59.06
Transfer to General Reserve		55.00	1500.00
Balance Carry Forward		660.30	399.17
		877.92	2305.73
Earnings Per Share (in Rs.)		8.33	27.70

Schedules 10 to 18, Significant Accounting Policies and Notes on Consolidated Accounts form part of this Profit and Loss Account.
 *Includes Rs.122.47 lacs transferred on Merger of Meridian Industries Limited with the company w.e.f 01.04.2006 and reversal of associates profit of Rs. 222.52 lacs as on that date.

For Suri & Co.,
 Chartered Accountants
C.S. Sathyanarayanan
 Partner
 M.No. : 028328

For K S G Subramanyam & Co.,
 Chartered Accountants
K. Baskaran
 Partner
 M.No. : 022883

D Sarath Chandran
 Chairman & Managing Director
Ashwin Chandran
 Joint Managing Director
R. Murali
 Head - Finance
C. Muruges
 Company Secretary

Coimbatore, 7th June 2008



Schedules Annexed to Consolidated Financial Statements

	31.03.2008	31.03.2007			
	Rs. Lacs	Rs. Lacs			
Schedule 1 - Share Capital					
Authorised					
9000000 Equity Shares of Rs.10 each (Previous Year 6000000 shares)	<u>900</u>	<u>900</u>			
Issued & Subscribed					
7500000 Equity Shares of Rs.10 each (Previous Year 6000000 shares)	<u>695</u>	<u>695</u>			
Note : a) 26,25,000 equity shares of Rs.10 each have been issued as fully paid-up bonus shares by capitalisation of reserves					
b) 5,50,000 equity shares of Rs. 10 each were bought back in July 02					
c) 15,00,000 Equity Shares of Rs.10 were issued, consequent to merger of Meridian Industries Limited with the company					
Schedule 2 - Reserves and Surplus					
	Opening	Additions	Withdrawals		
Capital Reserve	48.19	-	-	48.19	48.19
Share Premium	2212.46	-	-	2212.46	2212.46
General Reserve	10725.30	55.00	377.83	10402.47	10725.30
Capital Investment Subsidy	28.71	-	-	28.71	28.71
Surplus in Profit and Loss Account	299.12	578.80	217.62	660.30	299.12
Foreign currency translation reserve	1.31	16.68	-	17.99	1.31
Capital Redemption Reserve	355.00	-	-	355.00	355.00
	<u>13670.09</u>	<u>650.48</u>	<u>595.45</u>	<u>13725.11</u>	<u>13670.09</u>
a) Transitional liability as on 01.04.2007 in respect of certain "Employee Benefits" adjusted against General Reserve in accordance with the revised Accounting Standard (AS) 15, "Employee Benefits"					
Schedule 3 - Secured Loans					
A) Term Loans From Banks					
In Rupee				10761.11	9984.47
In Foreign Currency				5898.12	6053.64
B) Working Capital Facilities from Banks					
In Rupee				2825.87	1099.79
In Foreign Currency				1403.98	2033.16
				<u>20889.08</u>	<u>19171.06</u>
Schedule 4 - Unsecured Loans					
From others					
Sales tax deferral loan				325.57	280.71
				<u>325.57</u>	<u>280.71</u>



Schedules Annexed to Consolidated Financial Statements

Schedule - 5 Fixed Assets (Rs. In Lacs)

	Gross Block				Depreciation				Net Block	
	As on 01.04.07	Additions during the year	Sales / Transfers During the Year	Total Cost As on 31.03.08	Upto 31.03.07	For the year	With- drawals during the year	Upto 31.03.08	As on 31.03.08	As on 31.03.07
A. Tangible Assets										
Land	279.49	-	-	279.49	-	-	-	-	279.49	279.49
Buildings	5249.03	974.02	5.89	6217.16	993.76	165.31	3.65	1155.42	5061.74	4255.27
Plant & Machinery	36871.63	3757.73	527.82	40101.54	20163.38	2460.42	494.35	22129.45	17972.09	16708.25
Office Furniture	151.39	47.90		199.29	55.64	11.18		66.82	132.47	95.75
Motor Vehicles	254.84	15.48	14.04	256.28	66.25	32.03	5.24	93.04	163.24	188.59
B. Intangible Assets										
ERP Package *	238.40	7.66		246.06	140.29	48.37	-	188.67	57.39	98.11
TOTAL	43044.78	4802.79	547.75	47299.82	21419.32	2717.31	503.24	23633.40	23666.42	21625.46
Capital Work In Progress	1198.59	387.26	1196.72	389.13					389.13	1198.59
Grand Total	44243.37	5190.05	1744.47	47688.95	21419.32	2717.31	503.24	23633.40	24055.55	22824.05

Schedule 6 - Investments (Long Term)

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.08 in Nos.	31.03.07 in Nos.	31.03.08 Rs. Lacs	31.03.07 Rs. Lacs
A. Equity Shares					
(Fully paid up, valued at cost)					
Trade Quoted					
Lakshmi Synthetic Machinery Manufacturers Ltd	10	30000	30000	-	-
Non Trade Quoted					
Pricol Limited	1	5462250	5462250	199.33	199.33
Trade Unquoted					
Vantex Limited	10	100000	100000	19.00	19.00
A.P.Gas Power Corporation Limited	10	1206000	1206000	1964.87	1964.87
Sai regancy power corp p ltd	10	225000	-	22.50	0.00
OPG Energy Pvt Ltd	10	340000	340000	34.00	34.00
Non Trade Unquoted					
Precot Mills Employees Cooperative Credit Society	10	100	100	0.01	0.01
Precot Mills Multi purpose stores	10	100	100	0.01	0.01
National Saving Certificate				0.02	0.02
				2239.74	2217.24
Aggregate value of quoted investments					
Cost				197.47	199.32
Market value				1794.35	1863.34
Aggregate value of unquoted investment					
Cost				2042.26	2017.92

Schedules Annexed to Consolidated Financial Statements

	31.03.2008	31.03.2007		31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs		Rs. Lacs	Rs. Lacs
Schedule 7					
Current Assets, Loans & Advances					
A. Current Assets:			Schedule 10 - Sales		
Inventories - At lower of cost or net realisable value. (As valued and certified by Management)			Gross Sales Domestic - Yarn	20002.94	21624.42
Raw materials	4896.00	5294.01	- Fabric	5690.21	4946.47
Stock-in-process	1288.91	1369.60	- Garment	147.32	46.53
Waste Cotton	51.23	37.92	Direct Exports	11708.66	7453.36
Finished Goods	1587.02	1172.83	- Yarn	23.25	14.86
Stock of Stores	339.47	462.44	- Fabric	-	2.41
	<u>8162.63</u>	<u>8336.80</u>	Processing charges	-	2.41
				<u>37572.38</u>	<u>34088.05</u>
Sundry Debtors			Schedule 11 - Other Income		
Unsecured and considered good			Income from Trade Investments		
Outstanding for a period exceeding six months	28.85	24.47	Dividend from other than Subsidiaries	1.50	8.90
Other debts	2887.92	2076.37	Income from Non-Trade Investments		
	<u>2916.77</u>	<u>2100.84</u>	Dividend from other than Subsidiaries	58.65	56.72
Cash and Balances with Scheduled Banks			Profit on Sale of Investment	0.96	31.84
In Current Account	569.54	433.99	Profit on Sale of Assets	31.99	-
In Term Deposits	89.50	178.18	Foreign Currency Fluctuation	7.73	234.89
In Unpaid Dividend Account	29.41	33.55	Lease Rental Receipts (Net)	0.36	-
Cash, Cheques and Stamps on hand	64.22	46.04	Rent Receipts	16.18	11.81
	<u>752.67</u>	<u>691.76</u>	Agricultural Income	4.53	6.89
Other Current Assets			Insurance Claim Receipts	24.17	1.92
Interest accrued on investments, deposits and loans			Scrap-sales	71.92	74.02
Income accrued and receivable	872.19	494.40	Waste Packing Receipts	15.12	15.47
Deferred Tax Asset	<u>872.19</u>	<u>494.40</u>	Miscellaneous Income	104.09	62.15
				<u>337.20</u>	<u>504.61</u>
B. Loans and Advances			Schedule 12 - Increase / (Decrease) in Finished Goods		
Unsecured, considered good recoverable in cash or in kind or for value to be received:			Stock at Closing	1587.02	1172.83
Prepaid Expenses	67.70	56.65	Less: Stock at Opening	1172.83	668.85
Other Deposits	709.98	312.85		<u>414.19</u>	<u>503.98</u>
Balance Recoverable from Govt.authorities	14.58	8.43	Schedule 13 - Raw Materials		
Tax payment pending adjustments	1514.50	1324.92	Opening Stock		
Advance for others	645.55	2232.77	Raw Material	5294.01	4011.64
Deposits with Government Authorities	265.73	232.73	Stock in Process	1369.60	890.65
	<u>3218.04</u>	<u>4168.35</u>	Waste Cotton	37.92	25.60
				<u>6701.53</u>	<u>4927.89</u>
Schedule 8 - Current Liabilities and Provisions			Add : Purchases	19013.35	18554.14
A. Current Liabilities				<u>25714.88</u>	<u>23482.03</u>
Sundry Creditors			Less : Sales		
Dues to Micro & Small enterprises	-	-	Waste Cotton	349.61	409.87
Others	2542.53	2838.13		<u>25365.27</u>	<u>23072.16</u>
Interest accrued and due	0.02	0.23	Less : Closing Stock		
Investor Education & Protection Fund Items not due			Raw Material	4896.00	5294.01
a) Unclaimed dividends	29.41	33.55	Stock in Process	1288.91	1369.60
b) Matured unclaimed Fixed deposits	0.15	1.94	Waste Cotton	51.23	37.92
	<u>2572.11</u>	<u>2873.85</u>		<u>6236.14</u>	<u>6701.53</u>
B. Provisions			Raw material Consumption	19129.13	16370.63
Provision for Taxation	1325.60	1140.47	Schedule 14 - Salaries and Wages		
Provision for Fringe benefit	17.00	14.60	Salaries, wages and Bonus	2712.19	2426.96
Other Provisions	0.10	9.77	Contribution to Provident Fund, ESI	236.44	208.74
Provision for Gratuity & Super annuation	49.32	38.32	Gratuity & Superannuation Fund	19.94	22.88
Proposed Dividend	139.00	347.50	Welfare expenses	157.99	134.95
Tax on Dividend	23.62	59.06	Managing Director's remuneration	42.53	92.78
	<u>1554.64</u>	<u>1609.72</u>	Director's remuneration	33.41	65.81
Schedule 9 - Miscellaneous Expenditure				<u>3202.50</u>	<u>2952.12</u>
(To the extent not written off or adjusted)			Schedule 15 - Repairs and Maintenance		
a) Deferred Voluntary Retirement Compensation	-	267.42	Building	161.06	151.47
Less :Written off during the year	-	16.95	Machinery	1661.83	1614.88
Adjusted against share premium	-	250.47	Others	134.80	142.26
	<u>-</u>	<u>-</u>		<u>1957.69</u>	<u>1908.61</u>



Consolidated Financial Statements

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
Schedule 16 - Selling Expenses		
Yarn Brokerage and Commission	514.67	511.39
Export-Freight and handling & Commission	742.52	322.77
Transport charges from Mills to Depots	247.86	276.38
Fabric Selling Expenses	19.17	51.10
Other selling expenses	178.82	172.97
Quality Claims	59.62	101.75
	1762.66	1436.36

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
Schedule 17 - Administrative Expenses		
Insurance	55.49	52.52
Postage and Telegram	51.22	44.70
Printing and Stationery	56.99	48.66
Travelling and Transport charges	116.75	130.23
Taxes and Licence	45.78	31.61
Professional Charges	121.93	67.94
Director's sitting fees	4.53	3.67
Books,Periodicals and subscriptions	5.23	13.51
Establishment Charges	65.76	91.53
ISO Expenses	11.61	11.41
Rent	14.59	15.61
Security Charges	48.96	26.58
Advertisement Charges	8.43	12.50
Agricultural Expenses	4.69	5.22
Loss on Sale of Assets (Net)	-	4.04
Foreign exchange loss (Net)	227.07	-
Loss from Partnership firm	-	0.31
Auditor Remuneration	1.89	1.81
Others	43.36	129.56
	884.28	691.41

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
Schedule 18 - Interest and Finance charges		
Fixed Loans	1028.14	605.27
Others	62.68	282.51
	1090.82	887.78
Less : Interest receipts	28.18	36.80
Add : Bank Charges and Commissions	42.56	59.17
	1105.20	910.15

Significant Accounting Policies to the Consolidated Balance Sheet and Profit and Loss Account

1 Principles of consolidation

The consolidated financial statements relate to Precot Meridian Ltd ("the company") and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- the financial statements of the company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions resulting in unrealised profit or losses in accordance with Accounting Standard (AS)21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- the difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be
- as far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions

and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

- Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on accounting for investments.

3 Other Significant Accounting Policies:

These are set out under "Significant Accounting Policies" as given in the unconsolidated financial statements of Precot Meridian limited and its subsidiaries.

Notes forming part of accounts consolidated financial statements

- The subsidiary companies /firms considered in the consolidated financial statements are :

Name of the Subsidiary Ownership	Country of Incorporation	% of Interest
a Suprem Textiles Processing Ltd.,	India	100
b Multiflora Processing (Coimbatore) Ltd.,	India	100
c Precot Meridian Energy Limited	India	100
d Benwood Corporation Sdn Bhd	Malaysia	100
e Suprem Associates - Firm	India	99

2 Security for Borrowings:

- Term Loans from banks are secured by an equitable mortgage by way of pari passu first charge on all the immovable properties of the company and mortgage of Plant and machinery.
- Working Capital facilities from the banks are secured by pari passu first charge on Current Assets and second charge on immovable properties.

	31.03.2008	31.03.2007
	Rs. Lacs	Rs. Lacs
3 Contingent liabilities in respect of		
Bills discounted	1575.69	1085.53
Guarantees	466.54	444.74
Export Obligation under EPCG Scheme	2156.79	25472.92
Disputed foreign currency derivative contracts	1460	-
Export obligation are to be fulfill over 8yrs from import.		

- Disputed Statutory Liabilities not provided for

5 Earnings Per Share		
a) Net Profit available for Equity Shareholders (A) (in Lacs)	579.19	1925.20
b) Weighted Average number of equity shares (B) (in Lacs)	69.5	69.50
c) Basic and Diluted Earnings per Share (A)/(B)	8.33	27.70
d) Face Value per share	10	10

- The Deferred Tax Liability as at 31st March 2008 comprise of the following

a. Deferred Tax Liability on account of:		
(i) Related to Fixed Assets	2644.42	2622.7
	2644.42	2622.7
b. Deferred Tax Asset on account of :		
(i) Capital Loss	(30.61)	(56.34)
(ii) Bonus and VRS	(57.54)	(20.33)
(iii) Gratuity and Others	(100.19)	(13.02)
	(188.34)	(89.69)

Net Liability	2456.08	2533.01
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Consolidated Financial Statements

- | | |
|--|--|
| 7. Previous year's figures have been regrouped wherever necessary to conform to current year's classification. | in the separate financial statements of Precot Meridian Ltd and its subsidiaries. |
| 8. Other notes forming part of accounts:
These are set out in and under "Schedules and Notes forming Part of Accounts for the year ended 31st March 2008", as given | 9. Related Party Disclosure
Remuneration paid to Key Management Personnel Rs. 80.74 Lacs (Previous Year Rs.160.63 lacs) |

Auditors' Report

We have examined the attached Consolidated Balance sheet of Precot Meridian Limited ("the Company") and its subsidiary as a 31st March, 2008, and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally acceptable in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statements of the Company and its subsidiaries. The share of Profit or loss of the Foreign subsidiary has been considered for consolidation based on their audited financial statements for the year ended 31.12.2007.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual financial statements of the Company and audited financial statements, as the case may be, of its subsidiaries, in our opinion, the consolidated financial statements read together with Significant accounting policies and Notes on Consolidation 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 Consolidated state of affairs of the Company and its subsidiaries as at 31st March 2008;
- b) In the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Muruges
Company Secretary

Coimbatore, 7th June 2008



Consolidated Financial Statements

	31.03.2008	31.03.2008 Rs. Lacs	31.03.2007	31.03.2007 Rs. Lacs
A. Cash Flow From Operating Activities				
Net Profit Before Tax And Extraordinary Items		794.81		2566.11
Adjustment For:				
Depreciation	2717.31		2429.97	
(Profit)/Loss On Sale Of Assets	(31.99)		4.04	
Investment Income - Dividend	(60.15)		(65.62)	
(Interest Income)	(28.18)		(36.80)	
Vrs Written Off	-		16.95	
(Lease Rental Receipts)	(0.36)		-	
Effect Of Exchange Rate Change	17.99			
Agricultural (Income) / Expenses	0.16		(1.67)	
(Profit) / Loss On Sale Of Investments	(0.96)		(31.85)	
Interest Payments	1133.38		946.95	
		<u>3747.20</u>		<u>3261.97</u>
Operating Profit Before Working Capital Changes		4542.00		5828.08
Adjustments For:				
Trade Receivables	(825.92)		(616.76)	
Other Receivables	762.09		(1171.74)	
Inventories	174.17		(1058.30)	
Trade Payables	(664.14)		(1118.41)	
		<u>(553.80)</u>		<u>(3965.21)</u>
Cash Generated From Operations		3988.20		1862.87
Direct Taxes Paid		(295.32)		(511.50)
Net Cash Flow From Operating Activities		<u>3692.88</u>		<u>1351.37</u>
B. Cash Flow From Investing Activities:-				
Purchase Of Fixed Assets	(3993.33)		(7709.01)	
Sale/Write Off Of Fixed Assets	76.50		87.24	
Purchase Of Investments	(22.49)		49.84	
Interest Received	28.18		36.80	
Dividend Received	60.15		65.62	
Lease Rental Received	0.36		-	
Agricultural Income/(Expenditure)	(0.16)		1.67	
Net Cash Flow From Investing Activities		<u>(3850.79)</u>		<u>(7467.84)</u>
C. Cash Flow From Financing Activities:-				
Dividends Paid	(410.70)		(504.19)	
Interest Paid	(1133.38)		(950.74)	
Proceeds From Long Term Borrowings	621.12		6090.28	
Proceeds From Unsecured Loan/Deposits	44.86		20.88	
Proceeds From Working Capital Borrowings	1096.90		997.20	
Net Cash Flow From Financing Activities		<u>218.80</u>		<u>5653.43</u>
Net Increase/(Decrease) In Cash And Cash Equivalent		<u>60.89</u>		<u>-463.04</u>
Cash And Cash Equivalents As At 1.4.2007 And 1.4.2006 (Opening Balance)		691.76		1154.80
Cash And Cash Equivalents As At 31.03.2008 And 31.3.2007 (Closing Balance)		<u>752.67</u>		<u>691.76</u>

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M.NO: 028328

For K S G Subramanyam & Co.,
Chartered Accountants
K. Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R. Murali
Head - Finance
C. Muruges
Company Secretary

Coimbatore, 7th June 2008

Suprem Textiles Processing Limited

Subsidiary of **Precot Meridian Limited**

Board of Directors

D Sarath Chandran
A Ramkrishna
P Sai Prakash
Ashwin Chandran

Auditors

M/s Suri & Co, Chartered Accountants

Registered Office

SUPREM, P B 7161, 737, Green Fields
Puliakulam Road, Coimbatore 641 045

Directors' Report

Your Directors present herewith the 21st Annual Report together with the audited accounts for the year ended 31st March, 2008.

Review of operations

During the year under review the Company has made a profit of Rs. 225804.

Directors

Mr Ashwin Chandran was appointed as additional director on the Board under section 260 of the Companies act 1956 and he will hold the office till the date of forth coming Annual General Meeting.

Mr D Sarath Chandran retires by rotation, and being eligible, offers himself for re-appointment.

Auditors

M/s Suri & Co., Auditors of the Company retire at the ensuing Annual General Meeting and have given their consent for re-appointment.

Fixed Deposits

The Company did not accept or renew any deposit during the year and there are no unclaimed deposits.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings/outgo

Furnishing of details regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings/Outgo are not applicable to the Company

since the year did not have any activity during the year under review.

Personnel

There is no employee coming under the purview of Section 217(2A) of the Companies Act, 1956.

Directors' Responsibility Statement

The Directors confirm that:

- (a) The applicable accounting standards have been followed and proper explanations provided relating to material departures, if any;
- (b) The company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the company;
- (c) Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts of the company have been prepared on a going concern basis

Compliance with Provisions of Companies Act

Certificate from a Secretary in Whole-time Practice required under Section 383 A (1) is attached.

Coimbatore
7th June, 2008

By Order of the Board
D Sarath Chandran
Ashwin Chandran
Directors

Suprem Textiles Processing Limited

Balance Sheet

	Schedule	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
Sources of Funds			
Share holders' Funds			
Share Capital	1	<u>10000000</u>	<u>10000000</u>
Total Funds Employed		<u>10000000</u>	<u>10000000</u>
Application of Funds			
Fixed Assets			
Gross Block		-	16873663
Less: Depreciation		-	<u>5007366</u>
Net Block		-	11866297
Investments	2	<u>197500</u>	197500
Current Assets and Loans & Advances			
Inventories	3	-	589635
Cash & Bank Balances		<u>754357</u>	123482
Loans & Advances		<u>10270777</u>	12306913
		<u>11025134</u>	13020030
Less : Current Liabilities & Provisions			
Net Current Assets	4	<u>2414731</u>	<u>16501729</u>
		<u>8610403</u>	(3481699)
Debit balance in Profit and Loss Account		<u>1192097</u>	1417902
Total Funds Deployed		<u>10000000</u>	<u>10000000</u>

Schedules 1 to 4, Significant accounting policies and Notes on accounts form part of this Balance Sheet

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328

Place : Coimbatore.
Date : 7th June, 2008

Profit and Loss Account

	Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
Income			
Sales-Domestic		-	16858920
Processing Charges		-	28320861
Other Income	5	<u>245483</u>	<u>630041</u>
		<u>245483</u>	45809822
Expenditure			
Raw Materials		-	6601333
Processing charges		-	8566803
Salaries & wages		-	9809174
Power and Fuel		-	8279204
Stores		-	2088784
Repairs & Maintenance		-	6102061
Selling Expenses		-	690646
Administrative Expenses	6	<u>3386</u>	2164505
Auditors Remuneration	7	<u>16293</u>	16969
Interest & Finance Charges		-	16319
		<u>19679</u>	44335798
Profit/(Loss)for the year		<u>225804</u>	1474024
Less: Depreciation		-	1540031
Profit /(Loss/ before Tax		<u>225804</u>	(66007)
Less:Provision for Taxation		-	-
Net Profit/(loss) After Tax		<u>225804</u>	(66007)
Add: Balance brought forward		(1417902)	(1351895)
Balance Carried Forward to Balance Sheet		<u>(1192097)</u>	(1417902)
Earnings Per Share (Face value Rs.100/-)		<u>2.26</u>	(0.66)
(Refer Note no. B(1))			

Note : The Directors have waived their sitting fees.

Schedule 5 to 7, Significant accounting policies and Notes on accounts form part of this Profit and loss account.

D Sarath Chandran
Ashwin Chandran
Directors

Suprem Textiles Processing Limited
Schedules Annexed to the Accounts

		31.03.2008 Rs.	31.03.2007 Rs.
Schedule - 1 Share Capital			
Authorised, Issued, Subscribed and Paidup			
1,00,000 Equity Shares of Rs. 100 each			
(Fully held by the holding company, Precot Meridian Ltd)			
		<u>1000000</u>	<u>1000000</u>
		<u>1000000</u>	<u>1000000</u>
Schedule - 2 Investments (Long term)			
Particulars	Face Value		
Investment in shares - Long Term			
(Equity Shares, fully paid up, valued at cost)			
Non - Trade - Quoted			
Pricol Ltd - 210000 shares	1	185500	185500
Investment in Partnership Firm		10000	10000
Govt. Securities - National Saving Certificate		2000	2000
		<u>197500</u>	<u>197500</u>
Aggregate value of Quoted Investments			
Cost	in Lacs	1.85	1.85
Market Value	in Lacs	43.16	68.99
Aggregate value of UnQuoted Investments	in Lacs	0.12	0.12
Schedule - 3 Current Assets, Loans & Advances			
A. Current Assets			
Inventories			
Stores		-	589635
		<u>-</u>	<u>589635</u>
Cash and Bank Balance			
Cash in Hand		-	40276
In Current Account		754357	83206
		<u>754357</u>	<u>123482</u>
B. Loans and Advances			
Unsecured, Considered good recoverable in cash or in kind or for value to be received :			
Tax payments pending adjustments		3770777	4274301
Deposits - TNEB		-	1239920
Deposits with Central Excise		-	8159
Deposit Others		-	20100
Advances Sales Tax		6500000	6500000
Advance Others-Staff		-	199596
Prepaid expenses		-	64837
		<u>10270777</u>	<u>12306913</u>

Suprem Textiles Processing Limited**Schedules Annexed to the Accounts**

	31.03.2008	31.03.2007
Schedule - 4 Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors	1821	-
Precot Merdian Ltd	2196167	15314930
Salaries, Wages	-	586054
Outstanding Expenses	6742	6745
Provisions		
Provision for Bonus	-	384000
Provision for Taxation	210000	210000
	<u>2414730</u>	<u>16501729</u>
Schedule - 5 Other Income		
Income from Non Trade Investments		
- Dividend from other than subsidiaries	210000	210000
Interest Receipts	35483	92841
Sales - Scrap	-	268504
Others	-	58696
	<u>245483</u>	<u>630041</u>
Schedule - 6 Administrative Expenses		
Insurance	-	26433
Postage, Telephone	-	127352
Printing & Stationery	-	260354
Travelling Expenses	-	873100
Taxes and Licenses	-	140108
Loss on sale of Assets	-	78597
Loss from Partnership firm	386	30843
Professional Charges	3000	19500
Security Charges	-	425887
Others	-	182331
	<u>3386</u>	<u>2164505</u>
Schedule - 7 Auditors' Remuneration		
Statutory Audit	6742	6745
Tax Audit	9551	8979
Audit Expenses	-	1245
	<u>16293</u>	<u>16969</u>

Suprem Textiles Processing Limited

NOTES FORMING PART OF ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICIES

1 ACCOUNTING CONVENTION:

The financial statements have been prepared under the Historical Cost Convention on the basis of a going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

2 BORROWING COSTS:

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All the other borrowing costs are charged to revenue.

A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

3 IMPAIRMENT OF ASSETS:

As at each Balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- the provision for impairment loss, if any, required or
- the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

4 INVESTMENTS:

Investments are long term and are stated at cost. Provisions for diminution in value of long-term investments is made, if the diminution is other than temporary.

5 REVENUE RECOGNITION;

- The company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch of goods.
- Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

6 TAXES ON INCOME:

Current Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income tax act 1961, and based on the expected outcome of assessments/appeals.

Deferred tax is recognised on timing differences

between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

B Other Notes forming part of accounts

- The company has transferred its doubling & reeling business on a going concern basis to its holding company Precot Meridian Limited as on 1.4.2007. In the view of this figures of current year are not comparable of the previous year.

	31.03.2008	31.03.2007
2 Earnings Per Share		
a) Net Profit available for Equity Shareholders (A)	225804	-66007
b) Weighted Average number of equity shares (B)	100000	100000
c) Basic and Diluted Earnings per Share (A)/(B)	2.26	-0.66
d) Face Value of Share	100	100
3 Figures for the previous year have been regrouped and reclassified wherever necessary to conform to current year's classification.		
4 There are no earnings or expenditure in Foreign Currency.		
5 In the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available, deferred tax assets have not been recognised. Deferred tax liability has not been provided for in view on uncertainty over future income flows		
6 The operations of the company mainly relate to one segment, viz, Textiles		
7 Auditor's Remuneration as under		
	31.03.2008	31.03.2007
i) Statutory Audit	6000	6000
Service Tax thereon	742	745
ii) Tax Audit	9551	8979
iii) Reimbursement of expenses	-	1245
	16293	16969
8 The Company has opted out of levy of excise duty from July 2004.		
9 Disputed statutory demands not provided for	392000	392000

Suprem Textiles Processing Limited

9 Related Party Disclosure

a) Related Parties

Holding Co.: Precot Meridian Ltd, Fellow Subsidiary Co. :Multiflora Processing (Cbe) Ltd., Precot Meridian Energy Ltd.

b) Transactions

Nature of Transaction	2007-08		2006-07	
	Holding Co.	Fellow Sub. Co.	Holding Co.	Fellow Sub. Co.
Wind Energy Purchase	-	-	3555978	-
Processing Charges Receipt	-	-	27824032	496829
Processing Charges Payment	-	-	8566803	-
Amount Outstanding as at year end - Dr	-	-	-	-
Amount Outstanding as at year end - Cr	2196167	-	15314928	-
Provision for Doubtful Debts / Write Backs / Write Off	-	-	-	-

10 Particulars regarding investments in Partnership Firm

Name of the Firm	Suprem Associates	Capital Contribution Rs. Lacs	Sharing Ratio %
Name of the Partners	Precot Meridian Ltd Suprem Textile Processing Ltd.,	9.9 0.1	99 1
		10	100

11 Consumption

	Rs.	31.03.2008 % of Consumption	Rs.	31.03.2007 % of Consumption
Raw Mateial				
Indigeneous	-	-	6601333	100
Stores				
Indigeneous	-	-	2088784	100

12 Quantity details

		31.03.2008	31.03.2007
Finished Goods Yarn			
Opening stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-
Production	Kgs.Lacs	-	0.84
Sales	Kgs.Lacs	-	0.84
	Rs.Lacs	-	168.59
Closing Stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-
Waste Stock			
Opening stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-
Production	Kgs.Lacs	-	0.01
Sales	Kgs.Lacs	-	0.01
	Rs.Lacs	-	0.16
Closing Stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-

13 The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to Micro and small enterprises, outstanding as on 31.03.2008.

Suprem Textiles Processing Limited

Cash Flow Statement

	31.03.2008 (Rs.)	31.03.2007 (Rs.)
A. Cash Flow From Operating Activities:-		
Net Profit Before Tax And Extraordinary Items	225804	(66007)
Adjustment For:		
Depreciation (Net)	0	1540031
Loss On Sale Of Assets	0	78597
Investment Income - Dividend	(210000)	(210000)
	(210000)	1408628
Operating Profit Before Working Capital Changes	15804	1342621
Adjustments For:		
Trade Receivables	0	242038
Other Receivables	2036137	1548130
Inventories	589635	(49649)
Trade Payables	(14086998)	(3690820)
	(11461226)	(1950301)
Net Cash Flow From Operating Activities	(11445422)	(607680)
B. Cash Flow From Investing Activities:-		
Sale of Fixed Assets	11866297	121189
Dividend Received	210000	210000
Net Cash Flow From Investing Activities	12076297	331189
C. Cash Flow From Financing Activities	-	-
Net Increase/(Decrease) In Cash And Cash Equivalent	630875	(276491)
Cash And Cash Equivalents As At 1.4.2007		
And 1.4.2006 (Opening Balance)	123482	399973
Cash And Cash Equivalents As At 31.03.2008		
And 31.3.2007 (Closing Balance)	754357	123482

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details			
Registration No.	: 1834	State Code	: 18
Balance Sheet Date	: 31.03.2008		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)			
Total Liabilities	: 10000	Total Assets	: 10000
Sources of Funds			
Paid-up Capital	: 10000	Reserves & Surplus	: NIL
Secured Loans	: NIL	Unsecured Loans	: NIL
Application Funds			
Net Fixed Assets	: 0	Investments	: 198
Net Current Assets	: 8610	Misc. Expenditure	: 1192
Accumulated Losses	: NIL		
IV Performance of Company(Amount in Rs Thousands)			
Total Income	: 245	Total Expenditure	: 20
Profit Before Tax	: 226	Profit After Tax	: 226
Earning Per Share	: 2.26	Dividend %	: NIL
V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	5205.11	Major Product Description	Cotton Yarn

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328
Coimbatore, 7th June, 2008

D Sarath Chandran
Ashwin Chandran
Directors

I have examined the registers, records, books and papers of **Suprem Textiles Processing Limited**, (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March 2008** (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Ministry of Company Affairs, online within the time prescribed under the Act and the rules made thereunder.
3. The Company being a public limited company has the paid capital of Rs.100 lacs.
4. The Board of directors duly met **4 (Four)** times on the following dates in respect of which meetings the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
 1. 14th June 2007
 2. 30th July 2007
 3. 31st October 2007
 4. 29th January 2008
5. The Company has not closed its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on **31st March 2007** was held on **10th August 2007** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year under review.
8. The Company has not advanced any loans to its directors or other persons referred to under Section 295 of the Act.
9. The Company has not entered any contracts falling within the purview section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act with respect disclosure of interest under section 299 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company
 - i. was not required to deliver certificates as there were no allotment/transfer or transmission of securities during the year under review.
 - ii. has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
 - iii. has not paid/posted warrants to any member of the company as no dividend was declared during the financial year
 - iv. has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and which is required to be transferred to Investors Education and Protection Fund.
 - v. has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. One Director was appointed as Additional Director during year under review after complying with provisions of the Act; however there was no appointment of alternate directors or directors to fill casual vacancy during the financial year.
15. The companies' paid-up capital being less than the prescribed Rs. 5 crores it is not required to appoint a Managing Director/Whole-time Director /Manager and accordingly the company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. As per the explanation given to us by the officers and agents of the Company, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar prescribed under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings from banks, financial institutions, directors, members, public or others during the financial year.
25. The Company has not made any loans and investments, or given guarantees or provided securities to other bodies corporate during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company, during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share capital of the Company, during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. As per the information and explanations given by the officers and agents of the Company, there were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. As per the information and explanations given by the officers and agents of the Company, it has not received any money as security from its employees during the financial year.
33. The provisions of Section 418 are not applicable, since the Company has not constituted any Provident Fund for its employees under the Act.

Annexure A

Registers Maintained by the Company

1. Register of Members u/s 150
2. Register of Directors, Manager etc. u/s 303
3. Register of Directors' shareholdings u/s 307
4. Register of contracts in which directors are interested u/s 301(3)
5. Minutes Books as required u/s 193
 - i) For Board Meetings
 - ii) For General Meetings
6. Register of loans and Investment u/s 372A
7. Register of Share Transfers

Annexure B

Sl No.	Form No./ Return(s)	Filed under Section	For	Date of filing / SRN.No	Whether filed within prescribed period Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1	Form 23	293 (1)(a)	For sale of undertaking/unit of the Company - Special resolution passed at EGM held on 28.03.2007	A13925508 26.04.2007	Yes	Not applicable
2	Form 23AC and 23ACA	220	Balance sheet and profit & loss account for the year ended 31.03.2006	P09448325 24.08.07	Yes	Not applicable
3	Form 66	383A	Compliance Certificate for the year ended 31.03.2006	P09453713 05.10.2006	Yes	Not applicable
4	Form 20B	159	Annual Return for the AGM 10.08.2007	P09662644 24.08.2007	Yes	Not applicable
5	Form 32	303	Appointment of Mr. Ashwin Chandran as Additional Director on 31.10.2007	A26663385 26.11.2007	Yes	Not applicable

For G.V. and Associates
G. Vasudevan, Proprietor
 Company Secretary in Prance
 C.P.No. 6522 (ACS No. 18537)

Coimbatore, 7th June 2008

We have audited the attached Balance Sheet of Suprem Textile Processing Limited, Coimbatore, as at 31st March, 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1] We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3] The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4] In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5] On the basis of the written representation received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- 6] In our opinion and to the best of our information, and according to the explanation given to us, the said financial statements, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - b) In the case of the Profit and Loss Account, of the **Profit** for the year ended on that date;
 - c) In the case of cash flow statement, of the cash flows for the Year ended on that date.

Annexure to Auditor's Report to the Members of Suprem Textile Processing Limited, Coimbatore.

1. The company has disposed off its entire fixed assets during the year. However going concern assumption is not affected due to the disposal.
2. The company has not, during the year, granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
3. The company has not, during the year, taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
4. There are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
5.
 - a. The particulars of contracts or arrangements referred to in section 301 of the Companies Act have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6.
 - a. The company is regular in depositing with the appropriate authorities undisputed statutory dues including Income tax, Sales tax, Service Tax, cess and other statutory dues applicable to it. No undisputed amounts payable in respect of the above statutory dues were in arrears, as at 31.03.2008, for a period of more than six months from the date they became payable.
 - b. The details of disputed statutory due is given below:

Name of the Statute	Nature of the dues	Period-Financial year	Amount of demand	Amount paid	Forum where dispute is pending
EPF	PF Dues	1997-98	3.92	1.96	High Court of Judicature, Chennai

7. The accumulated losses of the company as at 31.03.2008 are less than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year also.
8. According to the information and the explanation given to us and on an overall examination of the Source and Application of funds of the company, we report that no funds raised on short-term basis have been used for long-term investment.
9. According to the information and the explanation given to us and the books and records examined by us, no fraud on or by the company has been noticed or reported during the year.
10. The other clauses of the Order are not applicable to the company.

Multiflora Processing (Coimbatore) Limited

Subsidiary of **Precot Meridian Limited**

Board of Directors

D Sarath Chandran
A Ramkrishna
P Sai Prakash
Ashwin Chandran

Auditors

M/s Suri & Co, Chartered Accountants

Registered Office

SUPREM, P B 7161, 737, Green Fields
Puliakulam Road, Coimbatore 641 045

Directors' Report

The Directors have pleasure in submitting their 14th Annual Report and the Accounts of the Company for the year ended 31st March, 2008.

Review of Operations

During the year under review the Company has incurred a loss of Rs. 37354.

Directors

Mr Ashwin Chandran was appointed as additional director of the board under section 260 of the Companies act 1956 and he will hold the office till the date of forth coming Annual General Meeting.

Mr A Ram Krishna retires by rotation, and being eligible, offers himself for re-appointment.

Auditors

M/s Suri & Co., Auditors of the Company retire at the ensuing Annual General Meeting and have given their consent for re-appointment.

Fixed Deposits

The Company did not accept or renew any deposit during the year and there are no unclaimed deposits.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings/outgo

Furnishing of details regarding Conservation of Energy, Technology Absorption, Foreign Exchange

Earnings/Outgo are not applicable to the Company since the year did not have any activity during the year under review.

Personnel

There is no employee coming under the purview of Section 217(2A) of the Companies Act, 1956.

Directors' Responsibility Statement

The Directors confirm that:

- (a) The applicable accounting standards have been followed and proper explanations provided relating to material departures, if any;
- (b) The company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the company;
- (c) Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts of the company have been prepared on a going concern basis

Compliance with Provisions of Companies Act

Certificate from a Secretary in Whole-time Practice required under Section 383 A (1) is attached.

Coimbatore
7th June, 2008

By Order of the Board
D Sarath Chandran
Ashwin Chandran
Directors

Multiflora Processing (Coimbatore) Limited

Balance Sheet

Schedule	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
Sources of Funds		
Shareholders' Funds		
Share Capital :	2500000	2500000
Authorised, Issued, Subscribed & Paid Up		
2,50,000 Equity Shares of Rs.10/- each		
(Fully held by the holding company Precot Meridian Ltd)		
Reserves and Surplus		
Profit & Loss A/c	559591	596944
Total	3059591	3096944
Application of Funds		
Current Assets 1		
Bank Balances	16422	80230
Loans & Advances	3450475	3588287
Total	3466897	3668517
Less : Current Liabilities and Provisions 2	407306	571573
Total	3059591	3096944

Schedules 1 & 2, Significant accounting policies and the Notes on accounts form part of this Balance Sheet.

Profit and Loss Account

Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
INCOME		
Sales - Domestic	-	15191000
Other Income	-	49167
Total	-	15240167
EXPENDITURE		
Raw Materials		11334694
Stores		552016
Processing Charges		2545241
Selling Expenses		552185
Other Expenses 3	8510	13197
Auditors' Remuneration 4	27809	9262
Interest and finance charges 5	1035	18292
Total	37354	15024887
Profit / (Loss) for the year	-37354	215280
Less: Provision for Taxation		82000
Net Profit	-37354	133280
Add : Balance brought forward	596945	463664
Profit available for appropriation	559591	596944
Appropriation		
Balance Carried Forward	559591	596944
Earnings per Share (Face value Rs.10/-)	(0.15)	0.53

Note: The Directors have waived their sitting fees

Schedule 3 to 5, Significant accounting policies and the Notes on accounts form part of this Profit and Loss account

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328

D Sarath Chandran
Ashwin Chandran
Directors

Place : Coimbatore.
Date : 7th June, 2008

Multiflora Processing (Coimbatore) Limited**Schedules Annexed to the Accounts**

	31.03.2008 Rs.	31.03.2007 Rs.
Schedule - 1 Current Assets		
A. Current Assets		
Bank Balances		
In Current Account -	16422	80230
	<u>16422</u>	<u>80230</u>
B. Loans and Advances		
Unsecured, considered good recoverable in cash or in kind or for value to be received:		
Tax payment pending adjustments	411901	330706
Advance others	3038574	3257581
	<u>3450475</u>	<u>3588287</u>
Schedule - 2 Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors	7306	171573
Provisions		
Provision for Taxation	400000	400000
	<u>407306</u>	<u>571573</u>
Schedule - 3 Other Expenses		
Taxes Licence	2510	706
Professional charges	6000	6061
Miscellaneous Exp	-	6430
	<u>8510</u>	<u>13197</u>
Schedule - 4 Auditors' Remuneration		
Statutory Audit fee	6742	6742
Certification Fee	-	1403
Other expenses	21067	1117
	<u>27809</u>	<u>9262</u>
Schedule - 5 Interest and finance charges		
Bank Charges , Commission etc.	1035	18292
	<u>1035</u>	<u>18292</u>

Multiflora Processing (Coimbatore) Limited

A. Significant Accounting Policies

1 Accounting Convention

The financial statements have been prepared on historical cost convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

2 Revenue Recognition

a) The company follows the mercantile system of accounting and recognises income and expenditure

on an accrual basis except those with significant uncertainties.

b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customer, which is generally on dispatch of goods

3 Taxes on Income

Current Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income tax act 1961, and based on the expected outcome of assessments / appeals.

B Other Notes forming part of accounts

1 Earnings Per Share

a) Net Profit available for Equity Shareholders (A)

b) Weighted Average number of equity shares (B)

c) Basic and Diluted Earnings per Share (A)/(B)

d) Face Value of Share

31.03.2008 31.03.2007

-37354 133280

250000 250000

-0.15 0.53

10 10

2 Figures for the previous year have been regrouped and reclassified wherever necessary to confirm to current year's classification.

3 There are no earnings or expenditure in Foreign Currency.

4 The operations of the company mainly relate to one segment, viz, Textiles

5 The Company has opted out of levy of excise duty from July 2004

6 Auditor's Remuneration as under

31.03.2008 31.03.2007

i) Statutory Audit

6000 6000

Service Tax thereon

742 742

ii) Tax Audit

19382 -

iii) Certification and Other Services

- 1403

iv) Reimbursement of expenses

1685 1117

27809 9262

7 Disputed statutory demands not provided for

5402 5402

8 Related Party Disclosure

a) Related Parties

Holding Company : Precot Meridian Ltd, Fellow Subsidiary Company : Suprem Textiles Processing Ltd., Precot Meridian Energy Ltd.

b) Transactions

Nature of Transaction	2007-08		2006-07	
	Holding Co.	Fellow Sub. Co.	Holding Co.	Fellow Sub. Co.
Processing Charges Payment			2048412	496829
Amount Outstanding as at year end - Dr	3038574	-	3241179	-
Amount Outstanding as at year end - Cr	-	-	-	-
"Provision for Doubtful Debts / "Write Backs / Write Off"	-	-	-	-

9 Consumption

Raw materials - 100% Indigeneous (Rs.)

31.03.2008 31.03.2007

Nil 11334694

10 Quantity Particulars for 2007-2008

Finished Goods

Opening	Kgs.Lacs	-	-
	Rs.Lacs	-	-
Production	Kgs.Lacs	-	2.76
Sales	Kgs.Lacs	-	2.76
	Rs.Lacs	-	151.91
Closing Stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-

Multiflora Processing (Coimbatore) Limited

11. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to Micro and small enterprises, outstanding as on 31.03.2008.

Cash Flow Statement	31.03.2008 (Rs.)	31.03.2007 (Rs.)
A. Cash Flow From Operating Activities:-		
Net Profit Before Tax And Extraordinary Items	(37354)	215280
Operating Profit Before Working Capital Changes	(37354)	215280
Adjustments For:		
Trade Receivables	-	1002854
Other Receivables	137813	(2676074)
Inventories	-	1651788
Trade Payables	(164266)	(2885589)
	(26453)	(2907021)
Net Cash Flow From Operating Activities	(63807)	(2691741)
B. Cash Flow From Investing Activities	-	-
C. Cash Flow From Financing Activities	-	-
Net Increase/(Decrease) In Cash And Cash Equivalent	(63807)	(2691741)
Cash And Cash Equivalents As At 1.4.2007 And 1.4.2006 (Opening Balance)	80230	2771971
Cash And Cash Equivalents As At 31.03.2008 And 31.3.2007 (Closing Balance)	16422	80230

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details			
Registration No.	: 8923	State Code	: 18
Balance Sheet Date	: 31.03.2008		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)			
Total Liabilities	: 3060	Total Assets	: 3060
Sources of Funds			
Paid-up Capital	: 2500	Reserves & Surplus	: 560
Secured Loans	: NIL	Unsecured Loans	: NIL
Application Funds			
Net Fixed Assets	: NIL	Investments	: NIL
Net Current Assets	: 3060	Misc. Expenditure	: NIL
Accumalated Losses	: NIL		
IV Performance of Company(Amount in Rs Thousands)			
Total Income	: NIL	Total Expenditure	: 37
Profit Before Tax	: (37)	Profit After Tax	: (37)
Earning Per Share	: (0.15)	Dividend %	: Nil
V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	5205.11	Major Product Description	Cotton Yarn

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328
Coimbatore, 7th June, 2008

D Sarath Chandran
Ashwin Chandran
Directors

I have examined the registers, records, books and papers of **Multiflora Processing (Coimbatore) Limited** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March 2008** (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Ministry of Company Affairs, online, within the time prescribed under the Act and the rules made thereunder.
3. The Company being a public limited company has the paid-up capital of Rs 25.00 Lacs.
4. The Board of directors duly met **4 (Four)** times on the following dates in respect of which meetings proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
 1. 14th of June 2007
 2. 30th of July 2007
 3. 31st of October 2007
 4. 29th of January, 2008
5. The Company has not closed its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on **31st March 2007** was held on **10th August 2007** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year under review.
8. The Company has not advanced any loans to its directors or other persons referred under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the register to be maintained under section 301 of the Act with respect to disclosure of interest under section 299 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company
 - i. was not required to deliver certificates as there were no allotment/transfer or transmission of securities during the year under review.
 - ii. has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
 - iii. has not paid/posted warrants to any member of the company as no dividend was declared during the financial year
 - iv. has no amounts in unpaid dividend account, application money due for refund matured deposits, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and which requires to be transferred to investors Education And Protection Fund.
 - v. has duly complied with the requirements of section 217 of the Act
14. The Board of Directors of the Company is duly constituted. One Director was appointed as Additional Director during year under review after complying with provisions of the Act; however there was no appointment of alternate directors or directors to fill casual vacancy during the financial year.
15. The company's paid-up capital being less than the prescribed Rs. 5 Crores it is not required to appoint a Managing Director/Whole-time Director /Manager and accordingly the company has not appointed any Managing Director/Whole-time Director /Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. As per the explanation given to us by the officers and agents of the Company, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar prescribed under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings from banks, financial institutions, directors, members, public or others during the financial year.
25. The Company has not made any loans or fresh investments, or given guarantees or provided securities to other bodies corporate during the year under review.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share capital of the Company, during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. As per the information and explanations given by the officers and agents of the Company, there were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. As per the information and explanations given by the officers and agents of the Company, it has not received any money as security from its employees during the financial year.
33. The provisions of Section 418 are not applicable, since the Company has not constituted any Provident Fund for its employees under the Act.

Annexure A

Registers Maintained by the Company

1. Register of Members u/s 150
2. Register of Directors, Manager etc. u/s 303
3. Register of Directors' shareholdings u/s 307
4. Register of contracts in which directors are interested u/s 301(3)
5. Minutes Books as required u/s 193
 - i) For Board Meetings
 - ii) For General Meetings
6. Register Loans and Investments under Section 372A
7. Register of Share Transfers

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended 31st March 2008

Sl No.	Form No./ Return(s)	Filed under Section	For	Date of filing / SRN.No	Whether filed within prescribed period Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1	Form 23AC & 23ACA	220	Balance Sheet as at 31.03.2007	P09451527 24.08.2007	Yes	Not applicable
2	Form 66	383A	Compliance Certificate for the year ended 31.03.2007	P09453838 24.08.2007	Yes	Not applicable
3	Form 20B	159	Annual Return made upto 10.08.2007	P09662172 10.09.2007	Yes	Not applicable
4	Form 32	303	Appointment of Mr. Ashwin Chandran as Additional Director on 31.10.2007	A26663591 26.11.2007	Yes	Not applicable

For G.V. and Associates

G. Vasudevan

Proprietor

Company Secretary in Prance
CP.No. 6522 (ACS No. 18537)

Coimbatore, 7th June 2008

We have audited the attached Balance Sheet of Multiflora Processing (Coimbatore) Limited, Coimbatore, as at 31st March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1] We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3] The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4] In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5] On the basis of the written representation received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- 6] In our opinion and to the best of our information, and according to the explanation given to us, the said financial statements, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - b) In the case of the Profit and Loss Account, of the **Loss** for the year ended on that date;
 - c) In the case of cash flow statement, of the cash flows for the Year ended on that date.

Annexure to Auditor's Report to the Members of Multiflora Processing (Coimbatore) Limited, Coimbatore.

1. The company has not, during the year, granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
2. The company has not, during the year, taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
3. There are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
4.
 - a. The particulars of contracts or arrangements referred to in section 301 of the Companies Act have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
5.
 - a. The company is regular in depositing with the appropriate authorities undisputed statutory dues including Income tax, Sales tax, Cess and other statutory dues applicable to it. The following amount of statutory due was in arrears, as at 31st march 2008, for a period of more than six months from the date it became payable.
 - b. There are no dues of sales tax, income-tax, customs duty or cess, which have not been deposited on account of any dispute.

Name of the Statute	Nature of the dues	Period-Financial year	Amount of demand	Due Date	Date of Payment
Sales Tax	Cess Mkt Committee	2004-05	Rs. 5402	June 2005	Not Yet Paid

6. The company does not have any accumulated losses as at 31.03.08. The company has incurred cash losses during the financial year covered by our audit and the company has not incurred cash loss in the immediately preceding financial year.
7. According to the information and the explanation given to us and on an overall examination of the Source and Application of funds of the company, we report that no funds raised on short-term basis have been used for long-term investment.
8. According to the information and the explanation given to us and the books and records examined by us, no fraud on or by the company has been noticed or reported during the year.
9. The other clauses of the Order are not applicable to the company.

Coimbatore
7th June, 2008

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328

Precot Meridian Energy Limited

Formerly : Precot Spintex Limited
Subsidiary of **Precot Meridian Limited**

Board of Directors

D Sarath Chandran
A Ramkrishna
P Sai Prakash
Ashwin Chandran

Auditors

M/s Suri & Co, Chartered Accountants

Registered Office

SUPREM, P B 7161, 737, Green Fields
Puliakulam Road, Coimbatore 641 045

Directors' Report

Your Directors present herewith the 6th Annual Report together with the audited accounts for the year ended 31st March, 2008.

Review of Operations

During the year under review the Company has made a profit of Rs. 58417

During the year company has changed its the name from Precot Spintex Limited to Precot Meridian Energy Ltd

Directors

Mr Ashwin Chandran was appointed as additional director of the board under section 260 of the Companies act 1956 and he will hold the office till the date of forth coming Annual General Meeting.

Mr D Sarath Chandran retires by rotation, and being eligible offers himself for re-appointment.

Auditors

M/s Suri & Co., Auditors of the Company retire at the ensuing Annual General Meeting and have given their consent for re-appointment.

Fixed Deposits

The Company did not accept or renew any deposit during the year and there are no unclaimed deposits.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings/outgo

Furnishing of details regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings/Outgo are not applicable to the Company since the year did not have any activity during the year under review.

Personnel

There is no employee coming under the purview of Section 217(2A) of the Companies Act, 1956.

Directors' Responsibility Statement

The Directors confirm that:

- (a) The applicable accounting standards have been followed and proper explanations provided relating to material departures, if any;
- (b) The company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the company;
- (c) Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts of the company have been prepared on a going concern basis.

Coimbatore
7th June, 2008

By Order of the Board
D Sarath Chandran
Ashwin Chandran
Directors

Precot Meridian Energy Limited

Balance Sheet

Schedule	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
Sources of Funds		
Shareholders' Funds		
Share Capital	500000	500000
Authorised, Issued, Subscribed and paid up 50000 Equity shares of Rs.10/- each [Fully held by the holding company Precot Meridian Ltd]		
Total Funds Employed	500000	500000
Application of Funds		
Current Assets & Loans and Advances 1		
Sundry Debtors	96136	-
Bank Balance	379603	115388
Loans & Advances	104539	104539
	580278	219927
Less : Current Liabilities and provisions 2	2573712	2271778
Net Current Assets	-1993435	-2051851
Debit balance in Profit and Loss Account	2493435	2551851
Total Funds Deployed	500000	500000

Schedules 1 & 2, significant accounting policies and Notes on accounts form part of this Balance sheet.

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328

Place : Coimbatore.
Date : 7th June, 2008

Profit and Loss Account

Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
Income		
Sales - Domestic	-	108432653
Other Income	98231	53623
	98231	108486276
Expenditure		
Raw Materials	-	46936980
Packing Materials & Stores	-	4727308
Processing Charges	-	53821492
Selling Expenses 3	16867	2920150
Administrative Expenses 4	3870	61071
Auditors' Remuneration 5	19078	16966
Interest and finance charges	-	7365
	39815	108491332
Profit / (Loss) for the year	58417	(5056)
Less : Provision for taxation		
Net Profit / (Loss) After Tax	58417	(5056)
Add : Balance brought forward	(2551851)	(2546795)
Balance Carried Forward to Balance Sheet	(2493435)	(2551851)
Earning Per Share (Face Value Rs.10/-)	1.17	-0.10

Note : The Directors have waived their sitting fees.

Schedules 3 to 5, significant accounting policies and the notes on accounts form part of this Profit and Loss Account.

D Sarath Chandran
Ashwin Chandran
Directors

Precot Meridian Energy Limited**Schedules Annexed to the Accounts**

	31.03.2008 Rs.	31.03.2007 Rs.
Schedule - 1 Current Assets, Loans and Advances		
A. Current Assets		
Sundry Debtors		
Unsecured and considered Good	96136	-
Other Debts	96136	-
Cash and Bank balance		
In Current Account	379603	115388
	379603	115388
B. Loans & Advances		
Unsecured, considered good recoverable in cash or in kind or for value to be received		
Tax payments pending adjustments	84408	84408
Advance with Excise authorities	131	131
Advance to Others	20000	20000
	104539	104539
Schedule - 2 Current Liabilities & Provisions		
Current Liabilities		
Sundry creditors	2486212	2184278
Provision for taxation	87500	87500
	2573712	2271778
Schedule - 3 Selling Expenses		
Yarn Brokerage & commission	6531	1306432
Transportation Charges from Mills to depot	-	762618
Yarn Selling expenses	10336	851100
	16867	2920150
Schedule - 4 Administrative Expenditure		
Taxes & Licence	3870	5028
Others	-	56043
	3870	61071
Schedule - 5 Auditors Remuneration		
Statutory Audit	6742	6742
Tax Audit	9551	8979
Other Expenses	2785	1245
	19078	16966

Precot Meridian Energy Limited

NOTES FORMING PART OF ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared on historical cost convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

2. Revenue Recognition

a) The company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.

b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customer, which is generally on dispatch of goods

3. Taxes on Income

Current Tax on income is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income tax act 1961, and based on the expected outcome of assessments / appeals.

B Other Notes forming part of accounts

1 Earnings Per Share

	31.03.2008	31.03.2007
a) Net Profit available for Equity Shareholders (A)	58417	-5056
b) Weighted Average number of equity shares (B)	50000	50000
c) Basic and Diluted Earnings per Share (A)/(B)	1.17	-0.10
d) Face Value of Share	10	10

2 There are no earnings or expenditure in Foreign Currency.

3 The operations of the company mainly relate to one segment, viz, Textiles

4 Auditor's Remuneration as under

	31.03.2008	31.03.2007
i) Statutory Audit	6000	6000
Service Tax thereon	742	742
ii) Tax Audit	9551	8979
iii) Reimbursement of expenses	1685	1245
	<u>17978</u>	<u>16966</u>

5 Related parties disclosures

a) Related parties : Precot Meridian Ltd - Holding Co., Suprem Textiles Processing Ltd & Multiflora Processing (Cbe) Ltd. fellow subsidiaries

b) Transactions:

Nature of Transaction	2007-2008 Holding Co.	2006-07 Holding Co.
Processing Charges Payment	-	53821492
Amount Outstanding as at year end - Dr	-	
Amount Outstanding as at year end - Cr	6095702	1874943
"Provision for Doubtful Debts / "Write Backs / Write Off"	Nil	Nil
Transactions with fellow subsidiaries	Nil	Nil

6. The Company has opted out of levy of Excise Duty from July 2004.

7. Figures for the previous year have been regrouped and reclassified wherever necessary to confirm to this year's classification.

8 Consumption	31.03.2008	% of Consumption	31.03.2007	% of Consumption
Raw Materials				
Indigeneous	-	-	46936980	100
Stores Consumptions				
Indigeneous	-	-	4727308	100
9 Quantity Details Finished Goods Yarn			31.03.2008	31.03.2007
Finished Goods Yarn				
Opening stock		Kgs.Lacs	-	0.03
		Rs.Lacs	-	4.47
Production		Kgs.Lacs	-	5.48
Sales		Kgs.Lacs	-	5.51
		Rs.Lacs	-	1084.33
Closing Stock		Kgs.Lacs	-	-
		Rs.Lacs	-	-
Waste Stock				
Opening stock		Kgs.Lacs	-	0.04
		Rs.Lacs	-	0.89

Coimbatore
7th June, 2008

By Order of the Board
D Sarath Chandran
Ashwin Chandran
Directors

Precot Meridian Energy Limited

Production	Kgs.Lacs	-	0.22
Sales	Kgs.Lacs	-	0.26
	Rs.Lacs	-	5.24
Closing Stock	Kgs.Lacs	-	-
	Rs.Lacs	-	-

10. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to Micro and small enterprises, outstanding as on 31.03.2008.

Cash Flow Statement	31.03.2008 (Rs.)	31.03.2007 (Rs.)
A. Cash Flow From Operating Activities		
Net Profit Before Tax And Extraordinary Items	58417	(5056)
Adjustments For:		
Trade Receivables	(96136)	8892145
Other Receivables	-	5119
Inventories	Nil	8900250
Trade Payables	301934	(24599044)
Net Cash Flow From Operating Activities	264215	(6806586)
B. Cash Flow From Investing Activities	-	-
C. Cash Flow From Financing Activities	-	-
Net Increase/(Decrease) In Cash And Cash Equivalent	264215	(6806586)
Cash And Cash Equivalents As At 1.4.2007 And 1.4.2006 (Opening Balance)	115388	6921974
Cash And Cash Equivalents As At 31.3.2008 And 31.3.2007 (Closing Balance)	379603	115388

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details			
Registration No.	: 10408	State Code	: 18
Balance Sheet Date	: 31.03.2008		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)			
Total Liabilities	: 500	Total Assets	: 500
Sources of Funds			
Paid-up Capital	: 500	Reserves & Surplus	: NIL
Secured Loans	: NIL	Unsecured Loans	: NIL
Application Funds			
Net Fixed Assets	: NIL	Investments	: NIL
Net Current Assets	: (1993)	Misc. Expenditure	: 2493
Accumalated Losses	: NIL		
IV Performance of Company(Amount in Rs Thousands)			
Total Income	: 98	Total Expenditure	: 40
Profit Before Tax	: 58	Profit After Tax	: 58
Earning Per Share	: 1	Dividend %	: NIL
V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	5205.11	Major Product Description	Cotton Yarn

As per our report of even date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328
Coimbatore, 7th June, 2008

D Sarath Chandran
Ashwin Chandran
Directors

We have audited the attached Balance Sheet of Precot Spintex Limited, Coimbatore, as at 31st March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1] We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3] The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4] In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5] On the basis of the written representation received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- 6] In our opinion and to the best of our information, and according to the explanation given to us, the said financial statements, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date;

- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

Annexure to Auditor's Report to the Members of Multiflora Processing (Coimbatore) Limited, Coimbatore.

1. The company has not, during the year, granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
2. The company has not, during the year, taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
3. There are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control.
4.
 - a. The particulars of contracts or arrangements referred to in section 301 of the Companies Act, have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
5.
 - a. The Company is regular in depositing with the appropriate authorities undisputed statutory dues including Income-tax, Sales-tax, cess and other statutory dues applicable to it. No undisputed amounts payable in respect of the above statutory dues were in arrears, as on 31.03.2008, for a period of more than six months from the date they became payable.
 - b. There are no dues of sales tax, income tax, customs duty or cess, which have not been deposited on account of any dispute.
6. The accumulated losses of the company as at 31.03.08 are more than fifty percent of its net worth. The company has not incurred any cash losses during the financial year covered by our audit the company has incurred cash loss in the immediately preceding financial year also.
7. According to the information and the explanation given to us and on an overall examination of the Source and Application of funds of the company, we report that no funds raised on short-term basis have been used for long-term investment.
8. According to the information and the explanation given to us and the books and records examined by us, no fraud on or by the company has been noticed or reported during the year.
9. The other clauses of the Order are not applicable to the company.

Coimbatore
7th June, 2008

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
M No. 028328

Benwood Corporation Sdn. Bhd

(Incorporated in Malaysia)

Subsidiary of **Precot Meridian Limited**

Board of Directors	D Sarath Chandran A Ramkrishna P Sai Prakash Subramaniam Toh Bee Hong Ashwin Chandran
Auditors	M/s Lee & Tan Associates, Chartered Accountants
Registered Office	No 15-A, Jalan Bakri Jaya 1, Taman Bakri Jaya 84200 Muar, Johar Darul Takzim, Malaysia

Directors Report

Directors Report for the financial year ended 31st December 2007

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2007.

Principal Activities

The principal activity of the Company is that of trader in cotton yarn. There has been no significant changes in the nature of this activity during the financial year.

Financial Results	2007	2006
	RM	RM
Net Profit Before Taxation	700,723	282,141
Taxation	(160,250)	(50,410)
Net Profit After Taxation	540,473	231,731

Dividends

A final dividend at 15% less income tax at 27%, amounting to RM54,750/- in respect of the financial year ended 31 DECEMBER 2006 was paid by the Company during the current financial year.

The directors also recommend a final proposed dividend at 25% less income tax at 26%, amounting to RM 92,500/- in respect of the financial year ended 31 DECEMBER 2007, subject to approval of members at the forthcoming Annual General Meeting of the Company and this amount has not been included as a liability in the financial statements.

Reserves And Provisions

All material transfers to and from reserves and provisions during the financial year are as shown in the financial statements.

Bad and Doubtful Debts

Before the income statement and the balance sheet were made out, the directors took reasonable steps to ascertain that action has been taken in relation to the writing off of and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make provision for doubtful debts in the financial statements of the company

Current Assets

Before the income statement and the balance sheet were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realize.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

Benwood Corporation Sdn. Bhd

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the liability of the Company to meet its obligations when they fall due.

Change of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amounts stated in the financial statements misleading.

Items of an Unusual Nature

The results of the operations of the Company for the financial year ended 31 DECEMBER 2007 were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Issues of Shares and Debentures

No shares nor debentures were issued by the Company during the financial year

Share Options

No share options have been granted during the financial year covered by the income statement to take up unissued shares of the Company.

Directors

The directors who held office since the date of the last report are :-

SUBRAMANIAM A/L RAMAIYA
ANANTH NARAYAN RAMKRISHNA
DAMOTHARAN SARATH CHANDRAN
PALATI SAI PRAKASH
TOH BEE HONG (f)
ASHWIN CHANDRAN
(Appointed w.e.f 15.11.2007)

Directors Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

No director has since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors Interests

According to the register of directors shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares of the Company are as follows:

Number of ordinary shares of RM 1.00 each

Name of Directors	At 1-1-2007		At 31-12-2007	
	Acquired	Disposed	Acquired	Disposed
Subramanian a/l Ramaiya	-	-	-	-
Ananth Narayan Ramkrishna	-	-	-	-
Damotharan Sarath Chandran	-	-	-	-
Deemed Interest*	500,000	-	-	500,000
Palati Sai Prakash	-	-	-	-
Toh Bee Hong (f)	-	-	-	-
Ashwin Chandran*	500,000	-	-	500,000

*Deemed Interest held through Precot Meridian Limited.

In accordance with the Company's Articles of Association, Mr ANANTH NARAYAN RAMKRISHNA shall retire by rotation and Mr Ashwin Chandran shall retire under Article 68 from the Board at the forth coming Annual General Meeting of the Company, and being eligible, offer themselves for re-election.

Ultimate Holding Company

The Directors regard PRECOT MERIDIAN LIMITED a company incorporated in India, as the Ultimate Holding Company.

Auditors

The auditors, Lee & Tan Associates, have indicated their willingness to continue in office.

For Lee & Tan Associates (AF 0752)
Tan Chee Huat
Chartered Accountants

3A, Jalan Setia Jaya
Taman Setia Jaya,
Off Jalan Tan Swee Hoe,
83000 Batu Pahat,
Johar Darul Takzim



PRECOT MERIDIAN LIMITED

SUPREM, P B 7161, 737, Green Fields, Puliakulam Road, Coimbatore 641 045

ATTENDANCE SLIP

PLEASE COMPLETE THIS SLIP AND HANDOVER AT THE ENTRANCE OF THE MEETING HALL.

Name Folio / Client ID
 A1
 A2
 A3
 City Pin

I hereby register my presence at the 46th Annual General Meeting of the Company held on Friday, the 22nd August 2008 at 5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018.

Signature of Member / Proxy

PRECOT MERIDIAN LIMITED

SUPREM, P B 7161, 737, Green Fields, Puliakulam Road, Coimbatore 641 045

PROXY FORM

I/We of
..... being a Member / Members of Precot Meridian Ltd, hereby
appoint of or
failing him of
..... as my / our proxy to attend and vote for me / us on my / our
behalf at the 46th Annual General Meeting of the Company held on Friday, the 22nd August 2008 at
5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018 and at any
adjournment thereof.

Signed this day of

Folio No / Client ID :
No of Shares :
Signature

Affix
Re 1
revenue
Stamp

Notes :

- The proxy form must be returned so as to reach the Registered Office of the Company, SUPREM, P B 7161, 737, Green Fields, Puliakulam Road, Coimbatore 641 045 not less than forty - eight hours before the time for holding the aforesaid meeting.
- A proxy need not be a member of the Company.

