



# Precot Meridian Limited

(Formerly Precot Mills Limited)

## Chairman & Managing Director

D Sarath Chandran

## President

P Sai Prakash

## Director - Operations

Ashwin Chandran

## Board of Directors

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

## Company Secretary

G Manikandan

## Auditors

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

## Registered Office

SUPREM  
PB 7161, 737, Green Fields  
Puliakulam Road  
Coimbatore 641 045

## Registrar & Share transfer agent

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

Contents	Page
Notice to Members	2
Directors' Report	6
Corporate Governance	9
Balance Sheet	17
Profit and Loss Account	18
Schedules	19
Notes forming part of Accounts	25
Cash Flow Statement	33
Auditors' Report	34
Consolidated Financial Statements	36

Notice is hereby given that the 45<sup>th</sup> Annual General Meeting of the Shareholders of the Company will be held on Friday the 10<sup>th</sup> August, 2007 at 5.00 P.M. 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, 2007
  - b) The Audited Balance sheet as at 31st March, 2007 and
  - c) The Reports of the Directors and the Auditors.
2. To Declare a Dividend
3. To appoint a Director in place of Mr Sumanth Ramamurthi who retires by rotation & being eligible, seeks re-appointment.
4. To appoint a Director in place of Mr C N Srivatsan who retires by rotation & being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr Vijay Venkatswamy 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 an ordinary resolution**

**Resolved** that Mr A Ramkrishna who was co-opted as Additional Director be and is hereby appointed as Director of the Company, liable to retire by rotation.

**8. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution**

**Resolved** that Mr Suresh Jagannathan who was co-opted as Additional Director be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

**Resolved** that Mr M V Subaraman who was co-opted as Additional Director be and is hereby appointed as Director of the Company, liable to retire by rotation.

**10. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution**

**Resolved** that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) to the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) to mortgage and / or charge, in addition to the mortgages / charges created / to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine on all or any of the movable and/ or immovable properties of the Company, both present and future and / or the whole or any part of the undertaking (s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Lender (s), Agent(s) and Trustee(s) / Trustee(s) for securing the borrowings availed / to be availed by the Company and / or any of the Company's subsidiary / affiliate / associate company, by way of loan (s) (in foreign currency and / or Indian rupee) and Securities (comprising fully /partly convertible debentures and /or non convertible debentures with or without detachable or non detachable warrants and / or secured premium notes and / or floating rates notes / bonds or other debt instruments), issued / to be issued by the Company from time to time subject to the limits approved under Section 293(1) (d) of the Companies Act, 1956 together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent (s) / Trustees premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange and all other monies payable by the company in terms of the Loan Agreement (s) / deeds of Agreement (s), Debenture Trust Deed(s) or any other document, entered into / to be entered into between the Company and the Lender(s) /

Agent (s) and Trustee(s) / Trustee(s), in respect of the said loans / borrowings / debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s) / Agent(s) / and Trustee(s) / Trustee(s).

**Resolved further** that for the purpose of giving effect to this resolution, the Board and / or its duly constituted Committee be and are hereby authorised to finalise, settle or execute such documents / deeds / writings / papers / agreements as may be required and do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages / charges as aforesaid.

**11. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution**

**Resolved** that the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any committee which the board may constitute for this propose) be and is hereby authorised, in accordance with section 293(1)(d) of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force and the Articles of Association of the Company, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion for the purpose of the business of the Company, from any one or more banks, financial institutions, and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may at any time exceed up to a sum of Rupees Three Hundred Crores over and above the aggregate of the then paid up capital of the Company and its free reserves( that is to say reserves not set apart for any specific purpose) and that the board of directors be and are hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, securities or otherwise as they may in their absolute discretion think fit.

**Resolved further** that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and thing and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.

**12. To consider and if thought fit to pass with or without modification, the following resolution as special resolution**

**Resolved** that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded for the appointment of Mr Prashanth Chandran to hold office or place of profit under the Company as an employee.

**Resolved further** that the term of office and the terms and conditions may be decided by the Board of Directors, provided that the aggregate remuneration payable to Mr Prashanth Chandran shall not exceed the sum of Rs. 50,000/- per month prescribed by the Central Government under Sub-section (1B) of Section 314 of the Companies Act, 1956 read with the Director's Relatives (Office or Place of Profit) Rules, 2003 up to which the remuneration can be paid without obtaining the approval of the Central Government.

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

**Item No 7, 8 & 9**

Mr A Ramkrishna aged 63 was co-opted as Additional Director with effect from 01.04.07 under section 260 of the Companies Act, 1956. He has been in the service of the Company for the past 27 years. Mr A Ramkrishna is a Chartered Accountant and has vast experience in the field. Before joining Precot in 1980 he had held senior positions in Boots Co (India) Ltd and Wimco Ltd. Considering his contributions the Board recommends his candidature as Director of the Company

Mr Suresh Jagannathan aged 50, is a Graduate in Science from USA and is the Managing Director of Kovilpatti Lakshmi Roller Flour Mills Ltd. He has more than two decades of experience in the textile industry. Mr M V Subaraman aged 62, is a Master in Commerce, CAIIB, & Dip (Intl Fin) and was formerly an Executive of

IDBI. He has vast experience on the financial aspects of the industry. They were also Directors in Meridian Industries Limited, which has now been merged with the company and they have been co-opted as Additional Directors with effect from 26.09.06 under section 260 of the Companies Act, 1956. The above persons have given their consent to act as Directors.

The above Directors hold office till the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 along with the deposit have been received from a member of the Company signifying his intention to propose the candidature of Mr A Ramkrishna, Mr Suresh Jagannathan and Mr M V Subaraman for appointment as Directors of the Company. Accordingly the resolutions set out in Item No.7, 8 and 9 are proposed for your approval. The Directors recommend the resolutions for the approval of the shareholders.

Mr A Ramkrishna is interested in item no.7, Mr Suresh Jagannathan in Item No 8 and Mr M V Subaraman in item no. 9. None of the other Directors are interested in these resolutions.

#### **Item No 10**

The borrowings by a Company, in general, is required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company from time to time in consultation with the lender(s) .

The mortgage and / or charge on any of the movable and / or immovable properties and / or the whole or any part of the undertaking(s) of the Company to secure borrowings of the Company or of any of its subsidiary / affiliate /associate company, with the power to the charge holders to take over the management of the business and concern of the Company in certain events of default, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence it is necessary for the Members to pass a resolution under the said section.

The Board of directors accordingly recommends the resolution to be passed as an ordinary resolution

None of the directors of the Company are concerned or interested in the resolution.

#### **Item No 11**

In terms of the provisions of section 293(1) (d) of the Companies Act, 1956, the Board of Directors of the company, cannot except with the consent of the company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business in excess of the aggregate of the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose. Keeping in view the Company's business requirements and its growth plans, it is considered desirable to increase the said borrowing limits.

The Board of directors accordingly recommend the resolution to be passed as an ordinary resolution

None of the directors of the Company are concerned or interested in the resolution.

#### **Item No 12**

Mr Prashanth Chandran was appointed as Project Executive of the Company with effect from October 2005 with monthly remuneration within the limits under Section 314 of the Companies Act 1956. As Mr Prashanth Chandran is related to two directors of the Company, a special resolution as stipulated under section 314 of the Companies Act, 1956 is required to be passed for holding the office or place of profit. The Board recommends passing of the special resolution.

Except Mr D Sarath Chandran and Mr Ashwin Chandran who are relatives of Mr Prashanth Chandran, no other Director of the company is interested in the resolution.

#### **Information as required by Clause 49(VIA) of the Listing Agreement:**

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

##### **1. Mr Sumanth Ramamurthi**

Mr Sumanth Ramamurthi, aged 48, is an Industrialist and is a Director from 1992. He holds Directorships in the following Public companies

- a. Super Spinning Mills Ltd
- b. Elgi Electric & Industries Ltd

- c. Elgi Ultra Industries Ltd
- d. Elgi Software & Technologies Ltd
- e. Super Farm Products Ltd
- f. Elgi Building Products Ltd
- g. Sara Elgi Industrial Research & Development Ltd
- h. Sara Elgi Textiles (International) Ltd

**2. Mr C N Srivatsan**

Mr C N Srivatsan, aged 50 is a Chartered Accountant and is a Director from 2004. He holds Directorships in the following public companies.

- a. Pricol Ltd
- b. Elgitread (India) Ltd
- c. Suguna Poultry Farm Ltd
- d. Astral Consulting Ltd
- e. Kar Mobiles Ltd

**3. Mr Vijay Venkataswamy**

Mr Vijay Venkatasamy, aged 60, is an Industrialist and is a Director from 2004. He holds Directorships in the following public companies.

- a. Vantex Ltd
- b. Coimbatore Pioneer Fertilizers Ltd
- c. Super Spinning Mills Ltd
- d. Sara Elgi Textiles (International) Ltd

**4. Mr A Ramkrishna**

Mr A Ramkrishna, aged 63 is a Chartered Accountant and is a Director from 1998. He holds Directorships in the following public companies.

- a. Suprem Textiles Processing Ltd
- b. Super Farm Products Ltd
- c. Multiflora Processing (Cbe) Ltd
- d. Precot Spintex Limited

**5. Mr M V Subaraman**

Mr M V Subaraman, aged 62 is a Master in Commerce, CAIIB, & Dip (Intl Fin) and was formerly an Executive of IDBI and is a Director from 2006. He holds Directorships in the following public companies.

- a. R S B Transmissions (I) Ltd

**6. Mr Suresh Jagannathan**

Mr Suresh Jagannathan, aged 50, is an industrialist and is a Director from 2006. He holds Directorships in the following public companies.

- a. Kovilpatti Lakshmi Roller Flour Mills Ltd
- b. Pricol Ltd
- c. Elgitread (India) Ltd

**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 26.07.07 to 10.08.07 (both days inclusive) for the purpose of payment of Dividend.
4. The Dividend declared in August, 2000 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 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.
7. For receiving dividend through **Electronic Clearing Service (ECS)**, in the notified centers, members are requested to forward the form attached to the circular letter, duly filled in, to the Registrar and Share Transfer Agents of the Company, M/s Intime Spectrum Registry Ltd, Coimbatore Branch or to their respective Depository Participants before 25.07.07.

Coimbatore  
14<sup>th</sup> June, 2007

By Order of the Board,  
**D Sarath Chandran**  
Chairman & Managing Director



## Directors' Report and Management Analysis

To the Members

Your Directors have pleasure in presenting the 45<sup>th</sup> Annual Report along with the audited financial results for the year ended 31<sup>st</sup> March, 2007.

The name of the Company was changed to Precot Meridian Limited effective from 28<sup>th</sup> September, 06 and a new logo has also been adopted. The approval of the Madras High Court for the merger of Meridian Industries Limited (MIL) with the company was given on 30<sup>th</sup> August, 06. The merger is effective from 1<sup>st</sup> April, 06. In view of this the financial results of the company for the year represents the first year of operation of the merged entity and hence is not comparable with that of the previous year which reflects the stand alone performance. In accordance with the scheme of Amalgamation 15 lacs shares were offered to the share holders of the erstwhile MIL.

### Financial Results

	31.03.07 Rs. Lacs	31.03.06 Rs. Lacs
Sales - Domestic	25683	19932
- Exports	7468	3060
	<b>33151</b>	22992
<b>Profit before Interest, Dep. &amp; Tax</b>	<b>5354</b>	3464
Less: Interest	915	180
<b>Profit from Operations</b>	<b>4439</b>	3284
Other income	498	701
<b>Profit before Depreciation &amp; Tax</b>	<b>4938</b>	3985
Less : Depreciation and Amortisation	2415	1863
<b>Profit Before Tax</b>	<b>2523</b>	2122
Less: Provision for Current Tax	560	328
: Fringe Benefit tax	23	10
: Deferred Tax	51	282
<b>Profit After Tax</b>	<b>1889</b>	1502
Add: Balance brought forward	390	361
<b>Profit available for appropriation</b>	<b>2279</b>	1863

### Dividend and appropriations:

Considering the performance and the enhanced capital, your directors recommend a dividend of 50% absorbing a sum of Rs. 407 lacs including the tax payable by the company on the dividend. The amount of Rs. 2279 lacs is proposed to appropriated as under:

**Rs. Lacs**

Proposed Dividend	06-07	05-06
Tax on Dividend	348	327
General Reserve	59	46
Balance carried forward	1500	1100
	<u>372</u>	<u>390</u>
	<b>2279</b>	<b>1863</b>

### Review of operations:

As already mentioned, the turnover of the merged entity is not comparable to that of the standalone figures of last year. The performance of the spinning division is at par with the profitability levels of last year. The turnover of the weaving division improved by 42% to Rs. 50 Crores as compared to Rs.35 Crores. However there was no significant contribution of the Weaving Division to the overall profitability of the Company. With both the yarn dyeing and the weaving units having reached full capacity, we expect a turnaround of this division in the Current Year.

### Capital Investment

The total capital investment during the year was at Rs.70 crores which was spent towards the expansion of capacities in both spinning and weaving divisions. As informed in the last report, the company purchased a complete spinning Mill of 32256 spindles from the Philippines. Relocation of the same has been completed during the year at the company's premises at Pollachi. The Mill was commissioned in January, 07 and will start operating at full capacity from the third quarter of the current financial year. The capacity at the weaving division was also enhanced by adding 24 Airjet Looms during the year.

These expansions were partly funded by a term loan under TUFs and through ECB/FCNRB borrowings.

### Outlook for the current year

The cotton crop during the year is expected to be good for the third successive year, subject to a good monsoon. However, cotton prices have gone up by about 10% compared to the previous year. The sharp appreciation in the Rupee against the Dollar witnessed during the first quarter of this year and the hardening of interest rates would also adversely affect the performance of the company. The company has initiated various measures for improving the efficiency of the Weaving Division and for improving the sales realisation per meter, the benefits of which would be seen during this year.

### **Opportunities, Risks and Concerns**

The country has emerged as an established sourcing target for the US and EU markets. This coupled with the boom expected in the Indian retail market could provide a lot of scope for the growth of the Industry. However the appreciation of the rupee has hurt competitiveness of garment exports which has also had a cascading effect on the domestic yarn prices.

### **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 74 Crores as compared to Rs 30 Crores in the previous year. Outflow on account of import of raw material, capital goods, etc amounted to Rs 35 Crores resulting in net foreign exchange earnings of Rs 39 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 the levels.

The Audit Committee of the Board reviews internal control systems and their adequacy, significant risk areas, 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.

Risk Management is an integral part of the business process. The Audit Committee of the Board reviews the risk management process from time to time.

### **Directors**

Mr Sumanth Ramamurthi, Mr C N Srivatsan and Mr Vijay Venkataswamy retire by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

Mr M V Subaraman and Mr Suresh Jagannathan have joined the Board on 26<sup>th</sup> Sept, 2006 as Additional Directors. Mr A Ramkrishna, whose term of office as Executive Director expired on 31.03.07 was also co opted by the Board as an Additional Director under Section 260 of the Companies Act, 1956 at the meeting

held on 30<sup>th</sup> January, 07. They hold office till the date of the forthcoming Annual General Meeting and their appointment will be considered by the members of the Company.

### **Subsidiaries**

Benwood Corporation Sdn Bhd, a company incorporated in Malaysia, became a wholly owned Subsidiary of the company consequent to merger of MIL. Earlier 50% of the share capital was held by the company and the balance was held by MIL. Benwood acts as the retailing arm for the sale of the company's products in the Malaysian markets.

### **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:

- (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 care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company;
- (d) The annual accounts of the company have been prepared on a going concern basis

### **Auditors**

M/s Suri & Co and M/s 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

Fixed Deposits

12 Fixed Deposits amounting to Rs 1.94 lacs remained unclaimed as on 31st March, 2007. Subsequently, 3 deposits amounting to Rs.1.05 lacs has been repaid.

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.

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

Name : **D Sarath Chandran** Age : 61 yrs  
 Qualification : B Sc (Hons), MBA Exp : 35 yrs  
 Designation : Chairman & Managing Director  
 Nature of duties : Management of the Company  
 Gross remuneration : Rs.92.78 lacs  
 Date of commencement of employment : 1.4.1975  
 Previous employment : Premier Mills Limited.

Name : **A Ramkrishna** Age : 63 yrs  
 Qualification : B Sc, FCA Exp : 37 yrs  
 Designation : Executive Director upto 31.03.07  
 Nature of duties : General Administration of the Company and incharge of Finance function.  
 Gross remuneration : Rs.26.56 lacs  
 Date of commencement of employment : 29.9.1980  
 Previous employment : Boots Co. (India) Ltd., WIMCO Ltd.

Note :

- The Managing Director was appointed for a period of 3 years w.e.f 01.04.05 & the term of Executive Director was for one year which expired on 31.03.07.
- Gross remuneration includes salary, allowances, Company's contribution to Provident and Super Annuation Funds.
- Mr D Sarath Chandran is related to Mr Vijay Mohan and Mr Ashwin Chandran.

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 is as follows.

<b>FORM A</b>			
<b>Conservation of Energy (Consolidated for all units)</b>			
<b>A. Power &amp; Fuel Consumption</b>		<b>31.03.07</b>	<b>31.03.06</b>
1) Electricity From EB		Rs Lacs	
a) Purchased			
Units in Lacs	643.97		527.20
Amt in Rs. Lacs	2397.44		1920.82
Cost per Unit in Rs.	3.72		3.64
2) Electricity From Gas power			
a) Purchased from APGPCL			
Units in Lacs	172.51		254.25
Amt in Rs. Lacs	330.92		550.51
Cost per Unit in Rs.	1.92		2.17
b) Purchased from OPG			
Units in Lacs	115.50		-
Amt in Rs. Lacs	350.90		-
Cost per Unit in Rs.	3.04		-
3) Own Generation through			
a) Diesel Generator			
Units per Ltr of Diesel	3.53		3.91
Units in lacs	39.04		28.64
Amt in Rs. Lacs	387.42		253.51
Cost per Unit in Rs.	9.92		8.85
b) Wind Mill Power			
Units in lacs	167.41		65.06
Amt in Rs. Lacs	416.20		162.65
Cost per Unit in Rs.	2.49		2.50
<b>B. Consumption of Electricity (Units)</b>			
Yarn per Kg	4.27		5.08
Fabric per metre	1.32		2.25

Coimbatore  
 14<sup>th</sup> June, 2007

By Order of the Board  
**D Sarath Chandran**  
 Chairman & Managing Director

**REPORT ON CORPORATE GOVERNANCE**
**A. CORPORATE GOVERNANCE PHILOSOPHY**

The Company is committed to good Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance to its shareholders. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealings and places emphasis on business ethics.

**B. NUMBER OF BOARD MEETINGS**

The Board meets at least once in a quarter to consider amongst other business, the quarterly performance of the Company and the financial results. The Board has held four meetings during the financial year 2006-07 on 29<sup>th</sup> June 2006; 18<sup>th</sup> August 2006; 24<sup>th</sup> November 2006 & 30<sup>th</sup> January 2007

**C. COMPOSITION OF DIRECTORS AND THEIR ATTENDANCE IN BM/AGM**

Name of Director	Category	No. of Directorships in other Companies				No of Committee positions held in other Companies		No of Board Meeting		Attendance last AGM
		Public	Pvt	Foreign	Total	Member	Chairman	Held	Attended	
Mr D Sarath Chandran Chairman & Managing Director	Executive - Promoter	7	-	1	8	2	-	4	4	Yes
Mr A Ramkrishna Executive Director	Executive - Non Promoter	4	-	1	5	-	-	4	4	Yes
Mr P Saiprakash President	Executive - Non Promoter	3	-	1	4	-	-	4	3	No
Mr Ashwin Chandran Director Operations	Executive - Promoter	-	-	-	-	-	-	4	4	Yes
Mr Vijay Mohan	Non-Executive - Promoter	10	1	1	12	2	-	4	4	No
Mr V Subramanian	Non-Executive - Independent	1	-	-	1	-	-	4	1	No
Mr Sumanth Ramamurthi	Non-Executive - Independent	9	1	-	10	1	-	4	4	No
Dr Jairam Varadaraj	Non-Executive - Independent	10	-	5	15	6	-	4	4	No
Mr Vijay Venkataswamy	Non-Executive - Independent	4	1	-	5	2	1	4	4	No
Mr C N Srivatsan	Non-Executive - Independent	5	2	-	7	3	2	4	3	No
Mr M V Subaraman	Non-Executive - Independent	2	-	-	-	-	-	4	2	No
Mr Suresh Jagannathan	Non-Executive - Independent	5	2	-	7	4	-	4	-	No

Mr V Subramanian retired from the Board in the previous AGM held on 09.08.2006  
 Mr M V Subaraman & Mr Suresh Jagannathan were inducted in the Board from 26.09.06  
 Mr A Ramkrishna ceased to be an Executive Director w.e.f 01.04.07

**D. COMMITTEES OF DIRECTORS**

**i. Audit Committee**

The Audit Committee as on 01.04.07 consists of five members and all of them are Non-Executive and four members of the committee are Independent Directors. Four Audit Committee Meetings were held during the financial year 2006-07 on 22<sup>nd</sup> June 2006; 17<sup>th</sup> August 2006; 17<sup>th</sup> November 2006; and 23<sup>rd</sup> January 2007

**Brief description of terms of reference**

- Reviewing the internal business process and profitability
- Reviewing and carrying out the functions in conformity with the requirements of Companies Act, SEBI regulations and Listing Agreement, in terms of Clause 49

**Composition of Audit Committee**

Name of the Director	Position	Category	Meetings	
			Held	Attended
Mr V Subramanian	Chairman #	Independent - Non Executive	4	1
Mr Vijay Venkataswamy	Chairman	Independent - Non Executive	4	4
Dr Jairam Varadaraj	Member	Independent - Non Executive	4	3
Mr C N Srivatsan	Member	Independent - Non Executive	4	3
Mr M V Subaraman	Member	Independent - Non Executive	4	2
Mr A Ramkrishna	Member	Non Independent-Non Executive	4	0

**Notes**

- # Retired from the Board in the previous AGM held on 09.08.2006
- Mr Vijay Venkataswamy was appointed Chairman w.e.f 17.08.06
- Mr M V Subaraman was inducted in the Committee by a circular resolution dated 26.09.06
- Mr A Ramkrishna was inducted in the Committee w.e.f 01.04.07 at the BM dated 30.01.07

**ii. Remuneration Committee**

The Remuneration Committee of the Board determines and recommends to the Board, the compensation payable to the Directors and one meeting on 8<sup>th</sup> June 2006 was held during the financial year 2006-07

**Brief description of terms of reference**

To determine and recommend to the Board the remuneration including commission, perquisites and allowance payable to the whole-time directors based on overall performance and financial results of the Company during the relevant financial year and in consonance with the existing industrial practice.

**Composition of Remuneration Committee**

Name of the Director	Position	Category	Meetings	
			Held	Attended
Mr V Subramanian	Chairman #	Independent - Non Executive	1	1
Dr Jairam Varadaraj	Member	Independent - Non Executive	4	3
Mr Sumanth Ramamurthi	Member	Independent - Non Executive	4	3

- # Retired from the Board in the previous AGM held on 09.08.2006
- Mr A Ramkrishna & Mr Vijay Venkataswamy were inducted in the Committee and Mr Sumanth Ramamurthi ceased to be member of the Committee w.e.f 14.06.07 (being the date of Board Meeting)

**Shares of the company held by Non-Executive Directors:**

Name of The Director	No of Shares held
Mr A Ramkrishna	750
Mr Vijay Mohan	1300
Dr Jairam Varadaraj	50
Mr Sumanth Ramamurthi	900
Mr Vijay Venkataswamy	550
Mr M V Subaraman	50

The details of remuneration / sitting fees paid to be Directors are as follows :

Name of the Director	Sitting fees Rs	Salary & Perks Rs	Comm-ission Rs	Total Rs
Mr D Sarath Chandran Chairman & Managing Director	Nil	2645925	6632516	9278441
Mr A Ramkrishna Executive Director	Nil	1906463	750000	2656463
Mr P Sai prakash President	Nil	1634312	750000	2384312
Mr Ashwin Chandran Director Operations	Nil	789960	750000	1539960
Mr Vijay Mohan	40000	Nil	Nil	40000
Mr V Subramanian	16000	Nil	Nil	16000
Mr Sumanth Ramamurthi	30000	Nil	Nil	30000
Dr Jairam Varadaraj	53500	Nil	Nil	53500
Mr Vijay Venkataswamy	60000	Nil	Nil	60000
Mr C N Srivatsan	45000	Nil	Nil	45000
Mr M V Subaraman	30000	Nil	Nil	30000
Mr Suresh Jagannathan	0	Nil	Nil	0
Sitting fees paid to Directors of erstwhile Meridian Industries Ltd	55000			55000
<b>Total</b>	<b>329500</b>	<b>6976660</b>	<b>8882516</b>	<b>16188676</b>

The Company does not have any stock option scheme.

**iii. Investors Relation Committee**

The Committee specifically looks into redressing complaints of shareholders and investors. The Committee is Chaired by Mr Vijay Mohan, Non Executive Director and the other members of the Committee are Mr D Sarath Chandran, Mr P Sai Prakash and Mr Ashwin Chandran. Mr G Manikandan, Company Secretary is the Compliance Officer.

There were no significant investor complaints during the year. There is no pending investor complaints left unattended at the end of the year and those received were resolved to the shareholders satisfaction.

**E. ANNUAL GENERAL MEETINGS**

a. Location and time, where last three Annual General Meetings were held

Year	Location	Date	Time
2004, 42 <sup>nd</sup> AGM	Chamber Towers , Avinashi Road, Coimbatore 641 018	06.08.2004	4.30 p.m.
2005, 43 <sup>rd</sup> AGM	- do -	10.08.2005	4.00 p.m.
2006, 44 <sup>th</sup> AGM	- do -	09.08.2006	4.00 p.m.

A court convened General Meeting was held on 09.06.2006 at 3.30 P M to consider and approve the Scheme of Amalgamation of Meridian Industries Ltd with the Company

b. Special resolutions passed in the previous 3 AGMs

Year	Details of Special Resolution
2004, 42 <sup>nd</sup> AGM	NIL
2005, 43 <sup>rd</sup> AGM	Insertion of a clause 23A in the Articles of Association relating to Instrument of Transfer
2006, 44 <sup>th</sup> AGM	NIL

**Note :** The Change in name of the Company to Precot Meridian Limited was approved as a part of the Scheme of Amalgamation at the court convened General Meeting held on 09.06.2006.

c. No special resolutions were put through postal ballot during the last year and hence the details of the same is not given.

d. Whether any special resolution is proposed to be conducted through postal ballot : **No**

e. Procedure for postal ballot: **Not applicable.**

#### F. DISCLOSURES

##### i. Disclosures on materially significant related party transactions

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters. There were no materially significant related party transactions during the year having conflict with the interests of the Company.

##### ii. Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchange, SEBI or any statutory authorities or any matter related to capital markets

No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years.

##### iii. Notes on Whistle Blower

The Company does not have any Whistle Blower policy. However no personnel have been denied access to the Audit Committee of the Company.

##### iv. CEO- CFO Certificate

The CEO-CFO Certificate as required under Clause 49(v) of the Listing Agreement, was laid before the Board of Directors at its meeting held on 14th June 2007 and was taken on record by the Board.

#### G. MEANS OF COMMUNICATION

##### i. Financial Results

The Annual Reports are sent to the shareholders by post and the financial results are published in Business Line and in a regional newspaper.

##### ii. Other Information

The Company has its own website www.precot.com, wherein the financial results and other investor related information is published. The same is also available in SEBI's EDIFAR (Electronic Data Information Filing and Retrieval System)

#### H. MANAGEMENT'S DISCUSSION & ANALYSIS

The Management's Discussion & Analysis report forms part of the Directors' Report.

#### I. GENERAL SHAREHOLDER INFORMATION

##### i. Annual General Meeting

10.08.2007, Friday, 5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Rd, Coimbatore 641 018.

##### ii. Financial Calendar

Accounting year : 1st April to 31st March.

Indicative calendar of events for the year

Adoption of Quarterly Accounts by the Board

During the last week of July, November, January and June every year.

Annual General Meeting : In the month of August.

**iii. Date of Book Closure**

The Transfer Books remains closed from the 26<sup>th</sup> July, 07 till the date of Annual General Meeting (10<sup>th</sup> August, 07).

**iv. Dividend Payment Date**

The Dividend warrants are despatched within a fortnight of the date of Annual General Meeting in the case of shareholders holding shares in physical form. In case of shareholders in the dematerialised form, the warrants will be sent within a fortnight after receipt of required information from Depositories.

**v. Listing on Stock Exchanges**

The Shares are listed in Coimbatore, Madras and National Stock Exchanges.

The Company has paid, till date, the listing fees to the above referred stock exchanges, except to Coimbatore Stock Exchange which is dormant

**vi. Market Price Data**

The Shares were not traded in Coimbatore and Madras Stock Exchanges during the financial year 2006-07.

**Market Price Data - National Stock Exchange  
ISIN: INE 283A01014 NSE Symbol : PRECOT**

Month	Prices (Rs.)		S&P CNX Nifty	
	High	Low	High	Low
April-06	330	273	3599	3290
May-06	464	300	3774	2896
June-06	364	225	3134	2596
Jul-06	304	232	3209	2878
August-06	297	255	3452	3114
Sep-06	300	265	3604	3328
October-06	326	285	3783	3509
Nov-06	314	260	3977	3737
December-06	280	240	4047	3658
Jan-07	270	240	4167	3834
February-07	277	202	4245	3675
Mar-07	226	172	3902	3555

**vii. Registrar and Share Transfer Agent**

M/s Intime Spectrum Registry Limited, Coimbatore Branch  
Surya, 35, Mayflower Avenue, Senthil Nagar, Sowripalayam Road,  
Coimbatore 641 028. Telefax: 0422 2314792. Email : coimbatore@intimespectrum.com

**viii. 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 and approved by the Investors Relation Committee. The share transfer process is reviewed by this Committee.

**ix. Secretarial Audit**

A qualified Practicing Company Secretary carries out a secretarial audit on a quarterly basis 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 audit 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 dematerialised shares held with NSDL and CDSL.

**x. Distribution of Shareholding**
**a. Shareholding Pattern as on 31<sup>st</sup> March 2007**

Category	No. of Shares held	% of share holding
Promoters	3821071	54.98
Banks, Financial Institutions	550	0.01
Insurance Companies	33063	0.47
Mutual Funds	574535	8.27
Private Corporate Bodies	356452	5.13
FII's	167	0.00
NRIs	29210	0.42
Indian Public	2134952	30.72
<b>Total</b>	<b>6950000</b>	<b>100.00</b>

**b. Distribution of share holding as on 31.03.07**

Shareholding range	No of Holders	% of Holders	No of Shares	% of Shares
1 - 100	3030	41.36	166997	2.40
101 - 500	3469	47.36	761451	10.96
501 - 1000	425	5.80	316090	4.55
1001 - 2000	220	3.00	310754	4.47
2001 - 3000	77	1.05	193817	2.79
3001 - 4000	23	0.31	80828	1.16
4001 - 5000	27	0.37	122166	1.76
5001 - 10000	33	0.45	226267	3.26
10001 & above	22	0.30	4771630	68.65
<b>Total</b>	<b>7326</b>	<b>100.00</b>	<b>6950000</b>	<b>100.00</b>

**xi. Dematerialisation of shares :**

As on 31<sup>st</sup> March 2007 59.23% of the shares have been dematerialised.

**xii. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity. - NIL**
**Mill Locations :**

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

**Address for Correspondence :**

Regd Office : SUPREM  
 P B 7161, 737 Green Fields  
 Puliakulam Road  
 Coimbatore 641 045  
 E-mail : secretary@precot.com

**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**  
 (Under Clause 49 of the Listing Agreement)

To the Board of Directors of Precot Meridian Limited

We have examined the compliance of conditions of Corporate Governance by Precot Meridian Limited, for the year ended on 31.3.2007, 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 efficiency or effectiveness with which the management has conducted the affairs of the Company.

Coimbatore  
 14th June, 2007

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)

**Declaration**

All the Board members and senior management personnel affirmed compliance with the code of conduct of the company for the financial year ended 31st March 2007.

Coimbatore  
 14th June 2007.

**D Sarath Chandran**  
 Chairman & Managing Director

### 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

- 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.

### 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 :

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

### 9. Foreign Currency Transactions :

- Foreign Currency Transactions are recorded at exchange rates prevailing on the date of such transaction.
- 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 or fixed assets as the case may be.
- 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. Any such income/expense attributable to acquisition of Fixed Assets from outside India is adjusted to the carrying cost of Fixed Assets.

### 10. 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 despatch of goods.
- 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.
- Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

### 11. 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.

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. Retirement Benefits :

- Contribution to Provident Fund and other recognized funds is charged to Profit and Loss Account.
- Gratuity

The liability of the company in respect of its defined benefit plan (gratuity) is calculated by making a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods, by discounting that benefit to determine the present value of the obligation as at the balancesheet date and by deducting thereof the past service cost not yet recognised, if any, and the fair value of any plan assets. The calculation is performed by a qualified actuary every year using the projected unit credit method, in accordance with the requirements of Accounting Standard 15 (Revised) on "Employee Benefits"

On change of benefits of a plan, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight line basis over the average period until the benefits become vested. The expense is recognised immediately in the profit and loss account to the extent that the benefits vest immediately.

Any actuarial gain or loss arising on estimation of the company's obligation is recognised immediately in the profit and loss account.

Where the fair value of the plan assets is in excess of the present value of obligations, an asset is recognised only when future economic benefits are available to the company, in accordance with the Accounting Standard.

	Rs.in Lacs					
	2002	2003	2004	2005	2006	2007
<b>Operating Results</b>						
Sales and other income	18916	20808	23638	24938	23693	<b>33649</b>
PBIDT	2531	3335	3433	3392	4165	<b>5852</b>
Interest	742	682	717	709	180	<b>914</b>
PBDT	1789	2654	2716	2683	3985	<b>4938</b>
Depreciation	1584	1646	1726	1809	1863	<b>2415</b>
Taxes	11	264	223	64	620	<b>634</b>
Net profit	194	744	767	810	1502	<b>1889</b>
Dividend & Dividend Tax	120	215	215	218	373	<b>407</b>
Retained Profit	74	529	552	592	1129	<b>1482</b>
<b>Performance Parameters</b>						
Net Fixed Assets	10104	11843	11946	12950	13851	<b>22792</b>
Share Capital	600	545	545	545	545	<b>695</b>
Reserves	8380	8783	9334	9771	10900	<b>13479</b>
Net worth	10600	11082	11666	12091	13502	<b>16706</b>
Borrowings	8545	12235	13019	10867	9590	<b>19452</b>
Debt:Equity	0.8	1.1	1.1	0.9	0.7	<b>1.2</b>
Dividend (%)	20	35	35	35	60	<b>50</b>
Cash Earnings per share (Rs.)	30	44	46	48	62	<b>62</b>
Earnings per share (Rs.)	3	13	14	15	28	<b>27</b>



## Balance Sheet

Sources of Funds	Schedule	As at 31.03.2007 Rs.Lacs	As at 31.03.2006 Rs.Lacs
<b>Shareholders' Funds</b>			
Share Capital	1	695.00	545.00
Reserves & Surplus	2	13478.86	10899.87
		<b>14173.86</b>	<b>11444.87</b>
<b>Loan Funds</b>			
Secured Loans	3	19171.06	9590.09
Unsecured Loans	4	280.71	-
		<b>19451.77</b>	<b>9590.09</b>
<b>Deferred Tax (Refer Note No. 18)</b>		<b>2532.48</b>	<b>2056.75</b>
<b>Total Funds Employed</b>		<b>36158.11</b>	<b>23091.71</b>
<b>Application of Funds</b>			
Fixed Assets	5		
Gross Block		42961.09	29365.22
Less: Depreciation		21368.02	15984.11
		<b>21593.07</b>	<b>13381.11</b>
Capital Work-in-progress		1198.59	469.93
Net Block		<b>22791.66</b>	<b>13851.04</b>
Investments	6	2396.86	2826.06
Current Assets, Loans and Advances	7		
A. Current Assets			
a) Inventories		8116.74	5708.11
b) Sundry Debtors		1880.30	1104.76
c) Cash & Bank Balances		483.46	1037.20
d) Other Current Assets		494.20	368.10
B. Loans & Advances		<b>4249.74</b>	<b>2481.13</b>
Less: Current Liabilities & Provisions	8	15224.44	10699.30
Net Current Assets		<b>4254.85</b>	<b>4552.11</b>
Miscellaneous Expenditure	9	-	6147.19
<b>Total Funds Deployed</b>		<b>36158.11</b>	<b>23091.71</b>

Schedules 1 to 9, Significant Accounting Policies and the 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)

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

**D Sarath Chandran**  
Chairman & Managing Director  
**Ashwin Chandran**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007



## Profit and Loss Account

Income	Schedule	Year Ended 31.03.2007 Rs.Lacs	Year Ended 31.03.2006 Rs.Lacs
Sales - Domestic		25682.66	19931.80
- Exports		<u>7468.22</u>	<u>3059.98</u>
	10	<b>33150.88</b>	22991.78
Other Income	11	498.10	700.81
Increase / Decrease In Stock Of Finished Goods	12	<u>392.72</u>	<u>83.67</u>
		<b>34041.70</b>	<b>23776.26</b>
<b>Expenditure</b>			
Raw Materials	13	15473.45	9649.28
Salaries & Wages	14	2840.90	2318.23
Power & Fuel		3853.78	2935.21
Stores		1422.76	1058.80
Repairs & Maintenance	15	1847.59	1579.77
Processing Charges		715.82	616.76
Selling Expenses	16	1400.63	984.08
Administrative Expenses	17	634.64	469.57
Interest and Finance Charges	18	<u>914.55</u>	<u>179.49</u>
		<b>29104.12</b>	<b>19791.19</b>
<b>Profit Before Depreciation and Tax</b>		<b>4937.58</b>	<b>3985.07</b>
Less : Depreciation	5	2367.81	1816.21
Amortisation of intangible assets		<u>46.76</u>	<u>46.76</u>
		<b>2414.57</b>	<b>1862.97</b>
<b>Profit Before Tax</b>		<b>2523.01</b>	<b>2122.10</b>
Less: a) Provision for Taxation		560.00	328.00
b) Fringe Benefit Tax (FBT)		14.60	9.94
c) Deferred Tax Adjustment		50.73	282.00
d) Provision for FBT(Prior Year)		<u>8.55</u>	<u>-</u>
		<b>633.88</b>	<b>619.94</b>
<b>Net Profit</b>		<b>1889.13</b>	<b>1502.16</b>
Add: Balance brought forward		<u>390.23</u>	<u>360.93</u>
<b>Profit available for Appropriation</b>		<b>2279.36</b>	<b>1863.09</b>
Proposed Dividend		347.50	327.00
Tax on Proposed Dividend		59.06	45.86
General Reserve		1500.00	1100.00
Balance Carried Forward		<u>372.80</u>	<u>390.23</u>
		<b>2279.36</b>	<b>1863.09</b>
Earnings Per Share (Refer Note No. 17) (Rs.) (Face Value Rs. 10 per share)		<b>27.18</b>	<b>27.56</b>

Schedules 5 & 10 to 18, Significant Accounting Policies and 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)

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

**D Sarath Chandran**  
Chairman & Managing Director  
**Ashwin Chandran**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007



## Schedules Annexed to the Accounts

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>Schedule 1 - Share Capital</b>		
<b>Authorised</b>		
9000000 Equity Shares of Rs.10 each (Previous Year 6000000 shares)	<u>900.00</u>	<u>600.00</u>
<b>Issued, Subscribed &amp; Paidup</b>		
6950000 Equity Shares of Rs.10 each (Previous Year 5450000 shares)	<u>695.00</u>	<u>545.00</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 during the year consequent to merger of Meridian Industries Ltd with the Company

### Schedule 2 - Reserves and Surplus

	As on 01.04.06	Addition		Withdrawal		As on 31.03.07	As on 31.03.06
		I	II	I	II		
Capital Reserve	48.19	-	-	-	-	48.19	48.19
Share Premium	2350.00	-	178.93	-	#316.47	2212.46	2350.00
General Reserve	8032.74	1500.00	1061.27 @ 254.78	-	-	10339.23	8032.74
Capital Investment Subsidy	23.71	-	5.00	-	-	28.71	23.71
Surplus in Profit & Loss Account	390.23	1889.13	122.47	1906.56	-	495.27	390.23
Capital Redemption Reserve *	55.00	-	300.00	-	-	355.00	55.00
	<u>10899.87</u>	<u>3389.13</u>	<u>1667.67</u>	<u>2161.34</u>	<u>316.47</u>	<u>13478.86</u>	<u>10899.87</u>

#### Note:

- a) Column I refers to additions/withdrawals during the year and Column II Refers to Additions/withdrawals consequent to merger of Meridian Industries Limited  
b) \* An amount of Rs.55 lacs was transferred to capital redemption reserve consequent to Buyback of 550000 equity shares in July 2002  
# Refer Note No.1 (b) in the Notes forming part of Accounts  
@ Refer Note No.25 in the Notes forming part of Accounts

### Schedule 3 - Secured Loans

<b>A) Term Loans from Banks</b>		
1) In Rupee	9984.47	8442.00
2) In Foreign Currency	6053.64	-
<b>B) Working Capital Facilities from Banks</b>		
1) In Rupee	1099.79	1148.09
2) In Foreign Currency	2033.16	-
	<u>19171.06</u>	<u>9590.09</u>



## Schedules Annexed to the Accounts

### Schedule 4 - Unsecured Loans

#### From Others

Sales tax Deferral Loan

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
Sales tax Deferral Loan	280.71	--
	<u>280.71</u>	<u>--</u>

### Schedule - 5 Fixed Assets (Rs. In Lacs)

	Gross Block				Total Cost As on 31.03.2007	Depreciation				Net Block	
	As on 01.04.2006	Additions		Sales/ Transfers During the Year		Upto 31.03.2006	For the year		Withdrawals during the year	Upto 31.03.2007	As on 31.03.2007
	I	II				I	II				
<b>A.Tangible Assets</b>											
Land	399.30	18.20	33.03	-	450.53	-	-	-	-	450.53	399.30
Buildings	2605.84	1442.45	1088.07	-	5136.36	598.43	118.65	273.30	-	990.38	4145.98
Plant & Machinery	25846.92	5447.87	5583.85	143.30	36735.34	15217.13	2219.03	2734.59	55.23	20115.52	16619.82
Office Furniture	96.13	29.35	20.14	-	145.62	37.57	7.13	10.89	-	55.59	90.03
Motor Vehicles	183.23	38.32	37.16	3.87	254.84	37.46	23.00	8.45	2.66	66.25	188.58
	29131.42	6976.19	6762.25	147.17	42722.69	15890.59	2367.81	3027.23	57.89	21227.74	21494.95
<b>B.Intangible Assets</b>											
ERP Expenditure & Softwares *	233.80	4.60	-	-	238.40	93.52	46.76	-	-	140.28	98.12
Total	29365.22	6980.79	6762.25	147.17	42961.09	15984.11	2414.57	3027.23	57.89	21368.02	21593.07
Capital WIP	469.93	1197.32	0.44	469.10	1198.59	-	-	-	-	1198.59	469.93
<b>Grand Total</b>	29835.15	8178.11	6762.69	616.27	44159.68	15984.11	2414.57	3027.23	57.89	21368.02	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 merger of Meridian Industries Limited

\* 1/5th of the intangible asset value amortised during the year.

### Schedule 6 - Investments (Long Term)

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2007 in Nos.	31.03.2006 in Nos.	31.03.2007 Rs.Lacs	31.03.2006 Rs.Lacs
<b>A.Equity Shares (Fully paid up)</b>					
<b>Trade Quoted</b>					
Lakshmi Synthetic Machinery Manufacturers Ltd	10	30000	30000	- (b)	3.00
<b>Non Trade Quoted</b>					
Pricol Limited	1	5462250	5462250	197.47	197.47
<b>Trade Unquoted</b>					
Vantex Limited	10	100000	100000	19.00	19.00
A.P.Gas Power Corporation Limited	10	1206000	1206000	1964.87	1964.87
OPG Energy Pvt Ltd	10	340000	-	34.00	-

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

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2007 in Nos.	31.03.2006 in Nos.	31.03.2007 Rs.Lacs	31.03.2006 Rs.Lacs
<b>Non Trade Unquoted</b>					
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
Super Farm Products Limited	100	-	6000	-	6.00
<b>Subsidiaries</b>					
Multiflora Processing (Cbe) Limited	10	250000	250000	25.00	25.00
Suprem Textiles Processing Limited	100	100000	100000	100.00	100.00
Precot Spintex Limited	100	5000	5000	5.00	5.00
Benwood Corporation Sdn Bhd	(a)	500000	150000	41.60	20.80
<b>B. Preference Shares</b>					
<b>(Fully paid up, valued at cost)</b>					
Terra Agro Technologies Limited (14% Cummulative Non Convertible)	10	-	500000	- (c)	50.00
Terra Agro Technologies Limited (12.5% Cummulative Non Convertible)	10	-	250000	- (c)	25.00
<b>C. Investment in Partnership Firm</b>				9.90	9.90
<b>D. Investment in Debentures</b>					
7% optionally convertible debentures - Meridian Industries Ltd	100	-	400000	-	400.00
				<u>2396.86</u>	<u>2826.06</u>
Quoted investments - Cost				197.47	200.47
- Market Value				1794.35	2154.86
Unquoted investment - Cost				2199.39	2625.59

(a) Malaysian Co, Face Value of each share - RM 1 each.

(b) Represents diminution in value adjusted as explained in Note No.1 (b) in Notes on Accounts

(c) Represents diminution in Value consequent to redemption adjustment as explained in Note No.1(b) in Notes on Accounts

31.03.2007  
Rs. Lacs

31.03.2006  
Rs. Lacs

**Schedule 7 - Current Assets, Loans & Advances**

**A. Current Assets:**

**Inventories-At Lower Of Cost & Estimated Net Realisable Value.**

(As valued and certified by Management)

Raw materials	5294.01	3999.14
Stock-in-process	1369.60	816.03
Waste Cotton	37.92	15.51
Finished Goods	1011.02	618.30
Stock of Stores	404.19	259.13
	<u>8116.74</u>	<u>5708.11</u>



## Schedules Annexed to the Accounts

<b>Schedule 7 - Current Assets, Loans &amp; Advances (Contd..)</b>	<b>31.03.2007</b>	31.03.2006
	<b>Rs. Lacs</b>	Rs. Lacs
<b>Sundry Debtors</b>		
Unsecured and considered good		
Outstanding for a period exceeding six months	24.47	34.24
Other debts	1855.83	1070.52
	<u>1880.30</u>	<u>1104.76</u>
<b>Cash and Balances with Scheduled Banks</b>		
<b>Balances with scheduled Banks</b>		
In Current Account	433.99	871.94
In Term Deposits	-	111.00
In Unpaid Dividend Account	33.55	19.80
Cash, Cheques and Stamps on hand	15.92	34.46
	<u>483.46</u>	<u>1037.20</u>
<b>Other Current Assets</b>		
Income accrued and receivable	494.20	368.10
	<u>494.20</u>	<u>368.10</u>
<b>B.Loans and Advances</b>		
Unsecured, considered good recoverable in cash or in kind or for value to be received:		
Prepaid Expenses	56.00	36.86
Other Deposits	311.61	221.91
Balance Recoverable from Government authorities	8.43	9.91
Tax payment pending adjustments	1273.26	796.51
Advance to others /suppliers	2445.19	1216.64
Deposits with Government Authorities	155.25	199.30
	<u>4249.74</u>	<u>2481.13</u>
<b>Schedule 8 - Current Liabilities and Provisions</b>		
<b>A.Current Liabilities</b>		
Sundry Creditors *	2571.83	3498.64
Interest accrued and due	0.23	4.02
Trade Deposits	54.33	51.83
Investor Education & Protection Fund items not due		
a)Unclaimed dividends	33.55	19.80
b)Matured unclaimed Fixed Deposits	1.94	1.64
<b>B.Provisions</b>		
Provision for Taxation	1148.09	594.00
Provision for Gratuity & Super annuation	38.32	9.32
Proposed Dividend	347.50	327.00
Tax on Dividend	59.06	45.86
	<u>4254.85</u>	<u>4552.11</u>
* (Refer Note No. 16)		
<b>Schedule 9 - Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
Deferred Voluntary Retirement Compensation as per last balance sheet	267.42	250.47
Add :Additions during the year	-	16.95
Less:Written off during the year	16.95	-
Adjusted against share premium	250.47	-
(Refer Note No.1(b) in Notes of Accounts)	<u>-</u>	<u>267.42</u>



## Schedules Annexed to the Accounts

### Schedule 10 - Sales

	31.03.2007 Rs. Lacs		31.03.2006 Rs. Lacs
Gross Sales Domestic - Yarn	20002.36		15302.22
- Fabric	4946.47		3445.23
- Garment	46.53		64.68
- Wind Energy	35.56		98.60
- Processing Charges Receipt	<u>651.74</u>		<u>1021.07</u>
		<b>25682.66</b>	19931.80
Direct Exports			
- Yarn	7453.36		3014.80
- Fabric	<u>14.86</u>	<u>7468.22</u>	<u>45.18</u>
		<u>33150.88</u>	<u>22991.78</u>

### Schedule 11 - Other Income

<b>Income from Trade Investments</b>			
Dividends from subsidiaries	8.01		-
Dividends from other than subsidiaries	8.90		1.00
<b>Income from Non-Trade Investments</b>			
Dividends from other than subsidiaries	54.62		69.44
Profit on Sale of Investments	31.85		285.14
Profit On Sale of Assets (net)	-		70.16
Foreign Exchange Gains	223.26		30.87
Lease Rental Receipts	-		67.17
Rent Receipts	11.81		7.53
Agricultural Income	6.89		6.54
Insurance Claim Receipts	1.92		5.11
Scrap-sales	71.33		60.43
Waste Packing Receipts	15.47		16.96
Miscellaneous Income	<u>64.04</u>		<u>80.46</u>
	<u>498.10</u>		<u>700.81</u>

### Schedule 12 - Finished Goods - Stock Differential

Stock at Closing	1011.02		618.30
Less: Stock at Opening	<u>618.30</u>		<u>534.63</u>
	<u>392.72</u>		<u>83.67</u>

### Schedule 13 - Raw Materials

#### Opening Stock

Raw Material	3999.14	2633.36	
Stock in Process	816.03	800.32	
Waste Cotton	<u>15.51</u>	<u>22.71</u>	
	<b>4830.68</b>		3456.39

#### Add : Purchases

Less : Sale of Waste	17754.17	11232.35	
	<u>409.87</u>	<u>208.78</u>	
	<u>17344.30</u>		11023.57
	<b>22174.98</b>		14479.96

#### Less: Closing Stock

Raw Material	5294.01	3999.14	
Stock in Process	1369.60	816.03	
Waste Cotton	<u>37.92</u>	<u>15.51</u>	
	<u>6701.53</u>		4830.68
	<b>15473.45</b>		<u>9649.28</u>



## Schedules Annexed to the Accounts

### Schedule 14 - Salaries and Wages

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
Salaries, Wages and Bonus	2332.23	1861.61
Contribution to Provident Fund & ESI	201.60	172.58
Gratuity & Superannuation Fund	22.88	49.20
Welfare expenses	125.60	108.62
Managing Director's remuneration	92.78	62.59
Directors' remuneration	65.81	63.63
	<u>2840.90</u>	<u>2318.23</u>

### Schedule 15 - Repairs and Maintenance

Building	145.21	229.40
Machinery	1577.96	1224.04
Others	124.42	126.33
	<u>1847.59</u>	<u>1579.77</u>

### Schedule 16 - Selling Expenses

Yarn Brokerage and Commission	490.23	324.41
Export-Freight and handling & Commission	372.33	206.69
Transport charges from Mills to Depots	267.66	212.96
Quality / Delivery claims	101.75	18.63
Fabric / Garment Selling Expenses	51.10	76.21
Other selling expenses	117.56	145.18
	<u>1400.63</u>	<u>984.08</u>

### Schedule 17 - Administrative Expenses

Insurance	51.77	69.56
Postage & Telegram	39.07	34.69
Printing & Stationery	45.46	32.12
Travelling Expenses	104.85	74.19
Taxes & Licence	29.76	23.44
Professional Charges	67.80	65.45
Directors' sitting fees	3.30	4.15
Books, Periodicals and Subscriptions	13.51	4.53
Establishment Charges	91.53	77.68
ISO Expenses	11.41	11.38
Rent	9.70	3.67
Security Charges	25.19	13.29
Advertisement Charges	12.43	10.50
Agricultural Expenses	5.22	4.96
Loss on sale of Assets (Net)	3.25	-
Others	120.41	39.96
	<u>634.64</u>	<u>469.57</u>

### Schedule 18 - Interest and Finance Charges

Fixed Loans	605.27	340.37
Others	282.26	137.96
Bank Charges and Commissions	56.32	34.43
Less : Interest receipts	29.30	333.27
	<u>914.55</u>	<u>179.49</u>

1. Meridian Industries Limited (MIL), an unlisted company of the group was merged with the company with effect from 1<sup>st</sup> April, 2006. The Merger and the Scheme of Amalgamation was approved by the High Court of Madras vide its order dated 30<sup>th</sup> August 2006 and 1<sup>st</sup> September 2006. In accordance with the scheme of amalgamation, the following adjustments have been made in the accounts apart from the routine consequential adjustments:

- a) 15 lac shares have been issued as fully paid up to the shareholders of MIL as consideration, in the ratio of one share for every two shares held by them.
- b) The unadjusted Miscellaneous Expenditure (Rs.250.47 lacs) and diminution in the value of investments of the company (Rs. 66 lacs) as at 01.04.05 have been adjusted against the balance in the share premium Account.

In view of the effective date of merger being 01.04.06, the figures for the previous year relate to the stand alone Precot Mills Limited. (as the Company was known then) Hence to this extent the figures of the current year representing the merged entity are not comparable with that of the previous year.

2. Security for Borrowings:

- a. 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.
- b. Working Capital facilities from the banks are secured by pari passu first charge on Current Assets and second charge on immovable properties.

3. Income Tax assessments have been completed upto Assessment Year 2004-2005. 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.

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
4. Estimated amount of contracts remaining to be executed on capital account and not provided for	241.62	1347.94
5. Amounts outstanding on account of Letters Of Credit opened	462.95	1084.48
6. Contingent liabilities in respect of Bills discounted	1085.53	477.09
Guarantees	444.74	200.01
Export Obligation under EPCG Scheme	25472.92	24752.16
(The Export Obligations are to be fulfilled over a period of 8 years from the date of import of capital goods)		
7. Disputed Statutory Liabilities not provided for	310.12	147.22
8 (a) Computation of Net Profit for ascertaining the commission payable to the Managing Director and Directors.		
Net Profit as per P&L Account	2523.01	2122.10
<b>Add :</b>		
Managing Directors Remuneration	92.78	62.59
Directors Remuneration	65.81	63.63
Sitting Fees	3.30	4.15
	<u>161.89</u>	<u>130.37</u>
	<b>2684.90</b>	<b>2252.47</b>



Notes forming part of Accounts

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>Less:</b>		
Capital profit on sale of assets	-	41.69
Profit on sale of Investments	<u>31.85</u>	<u>285.14</u>
	<u>2653.05</u>	<u>1925.64</u>
Maximum Remuneration Payable to Directors 10% of the above	<u>265.31</u>	<u>192.56</u>
	%	
<b>Commission - Managing Director</b>	<b>2.50</b>	48.14
Executive Director	<b>0.75 (Restricted to)</b>	7.50
Director Operations	<b>0.75 (Restricted to)</b>	7.50
President	<b>0.75 (Restricted to)</b>	7.50
	<u>88.82</u>	<u>70.64</u>
<b>(b) Remuneration to Managing Director</b>		
i) Salaries, Allowances etc	<b>16.64</b>	9.37
ii) Contribution to Super annuation and Provident Funds	<b>3.21</b>	2.92
iii) Medical benefits and reimbursement of other expenses	<b>6.61</b>	2.16
iv) Commission to Managing Director	<b>66.32</b>	48.14
	<u>92.78</u>	<u>62.59</u>
<b>(c) Remuneration to Whole time Directors:</b>		
i) Salaries, Allowances etc	<b>29.84</b>	29.8
ii) Contribution to Super annuation and Provident Funds	<b>5.15</b>	4.89
iii) Medical benefits and reimbursement of other expenses	<b>8.32</b>	6.44
iv) Commission to Directors	<b>22.50</b>	22.50
	<u>65.81</u>	<u>63.63</u>
(d) Sundry Creditors includes a sum of Rs.88.82 Lacs payable to Directors. (Previous year Rs.70.64 lakhs)		
9 Earnings in Foreign Exchange - Export of Goods - FOB Value	<b>7351.31</b>	3000.34
<b>10 Expenditure in Foreign Currency (Payment Basis)</b>		
CIF Value of Imports:		
a) Raw Materials	<b>658.50</b>	361.18
b) Components and Spares	<b>544.01</b>	225.02
c) Capital Goods	<b>1940.09</b>	957.46
d) Export Commission	<b>125.28</b>	59.27
e) Travelling Expenses	<b>7.28</b>	9.55
f) Quality Claim	<b>5.20</b>	4.77
g) Interest	<b>207.97</b>	19.88
	<u>3488.33</u>	<u>1637.13</u>
<b>11 Administrative Expenses -</b>		
Others includes Auditors' remuneration as under:		
i) Statutory Audit	<b>3.00</b>	2.25
Service Tax thereon	<b>0.37</b>	0.28
ii) Tax Audit	<b>0.72</b>	0.47
iii) Certification and Other Services	<b>0.59</b>	0.33
iv) Reimbursement of expenses	<b>0.22</b>	0.26
	<u>4.90</u>	<u>3.59</u>
<b>12 Licensed and installed capacity and actual production.</b>		
a) Licensed Capacity-Not applicable since the industry is delicensed		
b) Installed Capacity		
Spindles	<b>Nos 191808</b>	125376
Rotors	<b>Nos 1536</b>	1344
Looms	<b>Nos 117</b>	88



Notes forming part of Accounts

	31.03.2007		31.03.2006	
	Qty	Value In Lacs	Qty	Value In Lacs
<b>c Yarn ( Kgs)</b>				
Opening Stock	3.23	485.58	3.98	409.41
Production	250.05		157.74	
Sales	233.80	27455.72	149.24	18317.02
Captive Consumption	11.71		9.25	
Closing Stock	7.77	931.74	3.23	485.58
<b>d Fabrics (Mtrs)</b>				
Opening Stock	1.70	118.36	1.86	118.61
Production	55.67		42.16	
Sales	54.84	4961.33	41.17	3490.41
Captive Consumption	1.46		1.15	
Closing Stock	1.07	74.65	1.70	118.36
<b>e Garments (Nos.)</b>				
Opening Stock	8159	14.36	4696	6.61
Production	13838		27447	
Sales	19681	46.53	23984	64.68
Closing Stock	2316	4.63	8159	14.36
<b>f Waste (Kgs)</b>				
Opening Stock	0.62	15.51	1.05	22.71
Production	82.62		75.65	
Sales	26.90	409.87	18.88	208.78
Captive Consumption	54.54		57.20	
Closing Stock	1.80	37.92	0.62	15.51
<b>g Wind Energy(Units)</b>				
Production	195.74		104.49	
Own Consumption	181.52		65.06	
Sales	14.22	35.56	39.43	98.60
<b>13 Consumption Raw Materials</b>	<b>Value</b>	<b>% of Cons-</b>	<b>Value</b>	<b>% of Cons-</b>
	<b>Rs. Lacs</b>	<b>umption</b>	<b>Rs. Lacs</b>	<b>umption</b>
a) Imported	517.71	3.35	339.72	3.52
Indigenous	14955.73	96.65	9309.56	96.48
	<u>15473.45</u>	<u>100.00</u>	<u>9649.28</u>	<u>100.00</u>
b) Stores & Spares				
Imported	285.32	20.05	1.84	0.17
Indigenous	1137.44	79.95	1056.96	99.83
	<u>1422.76</u>	<u>100.00</u>	<u>1058.80</u>	<u>100.00</u>



Notes forming part of Accounts

14 Particulars regarding investment in the capital of a Partnership Firm  
Name of the Firm : Suprem Associates **31.03.2007** 31.03.2006

Name of the Partners	Capital Contribution Rs. Lacs	Sharing Ratio %	Capital Contribution Rs. Lacs	Sharing Ratio %
Precot Meridian Ltd	9.9	99	9.9	99
Suprem Textile Processing Ltd	0.1	1	0.1	1
	<u>10.0</u>	<u>100</u>	<u>10.0</u>	<u>100</u>

15 a ) Investments in companies under the same Management as per the erstwhile Section 370 ( 1B ).

Meridian Industries Ltd	-	400.00
Super Farm Products Ltd	-	6.00
Benwood Corporation Sdn Bhd	41.60	20.80

b) Movement of Investments during the year.	Opening	Additions	Sold	Deletions	Rs. lacs Closing
Lakshmi Synthetic Machinery Manufacturers Ltd	3.00	-	-	3.00	-
Pricol Ltd	197.47	-	-	-	197.47
Vantex Ltd	19.00	-	-	-	19.00
A.P.Gas Power Corporation Ltd	1964.87	-	-	-	1964.87
Terra Agro Technologies Ltd (14% cum non cov)	50.00	-	-	50.00	--
Terra Agro Technologies Ltd (12.5% cum non cov)	25.00	-	-	25.00	--
Super Farm Products Ltd	6.00	-	6.00	-	--
Suprem Textiles Processing Ltd	100.00	-	-	-	100.00
Multiflora Processing (CBE) Ltd	25.00	-	-	-	25.00
Precot Spintex Ltd	5.00	-	-	-	5.00
Benwood Corporation Sdn Bhd	20.80	20.80	-	-	41.60
Suprem Associates	9.90	-	-	-	9.90
Meridian Industries Ltd	400.00	-	-	400.00	-
OPG Energy Pvt Ltd	-	34.00	-	-	34.00
Others	0.02	-	-	-	0.02
<b>Total</b>	<u>2826.06</u>	<u>54.80</u>	<u>6.00</u>	<u>478.00</u>	<u>2396.86</u>

Additions and deletions are consequent to merger of Meridian Industries Ltd as per the scheme of Amalgamation approved by the Hon'ble High Court of Madras

c) 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	10	94.25	973.39
HSBC Mutual Fund	10	64.06	640.00
Birla Cash Plus Fund	10	100.35	1004.00
UTI Liquid Cash Plus Fund	1000	0.32	320.00
UTI Money Market Fund	10	47.19	826.00

- 16 None of the persons selling goods and materials and / or rendering services have claimed themselves to be a Small Scale Industrial undertaking.
- 17 Earnings Per Share
- |  |                   |            |
|--|-------------------|------------|
|  | <b>31.03.2007</b> | 31.03.2006 |
| a) Net Profit available for Equity Shareholders (A) (Rs. lacs) | <b>1889.13</b>    | 1502.16    |
| b) Weighted Average number of equity shares (B) (in lacs)      | <b>69.50</b>      | 54.50      |
| c) Basic and Diluted Earnings per Share (A)/(B) (in Rs.)       | <b>27.18</b>      | 27.56      |
| d) Face Value per share (in Rs)                                | <b>10.00</b>      | 10.00      |
- 18 The Deferred Tax Liability as at 31st March 2007 comprise of the following
- a. Deferred Tax Liability on account of:**
- |                             |                 |                |
|-----------------------------|-----------------|----------------|
|                             | <b>Rs. Lacs</b> | Rs. Lacs       |
| (i) Related to Fixed Assets | <u>2622.17</u>  | <u>2098.03</u> |
|                             | <u>2622.17</u>  | <u>2098.03</u> |
- b. Deferred Tax Asset on account of :**
- |                           |              |              |
|---------------------------|--------------|--------------|
| (i) Capital Loss          | <b>56.34</b> | 41.28        |
| (ii) Bonus and VRS        | <b>20.33</b> | -            |
| (iii) Gratuity and Others | <u>13.02</u> | -            |
|                           | <b>89.69</b> | <u>41.28</u> |
- Net Liability**
- |  |                |                |
|--|----------------|----------------|
|  | <u>2532.48</u> | <u>2056.75</u> |
|--|----------------|----------------|
- 19 Profit on sale of assets amounting to Rs.5.76 lacs has been netted against the Loss on sale of assets
- 20 Previous year's figures have been regrouped/reclassified wherever necessary to confirm to current year's classification.
- 21 The company operates in one primary segment, viz, Textiles.
- 22 The Company has opted out of levy of Excise duty from July 2004
- 23 Voluntary retirement compensation paid amounting to Rs.39.97 lacs has been written off during the year
- 24 Borrowing costs capitalised during the year Rs.78.99 lacs
- 25 The Company has adopted the Revised Accounting Standard 15 in respect of defined benefit plan(Gratuity) w.e.f. 01.04.2006. The transitional liability consequent thereto has been adjusted against General Reserve.

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 changes in the Present value of the obligation:

Particulars	Rs (Lacs)	Rs (Lacs)
Present Value of the obligation as on 01.04.06		518.25
Add:		
Current service cost	27.97	
Interest cost	40.76	
Actuarial gains and losses	(39.15)	
Benefits paid	<u>(17.55)</u>	<u>12.03</u>
Present value of the obligation as on 31.03.07		<u>530.28</u>

The liability of the company as on 31.03.07 has been funded to the extent of Rs.491.96 lacs.

c) Reconciliation in respect of the changes in the fair value of Plan assets:

Particulars	Rs (Lacs)	Rs (Lacs)
Fair Value of plan assets as on 1.04.06		260.10
Add:		
Expected rate of return	29.46	
Actuarial gains and losses	(14.05)	
Contributions by employer	234.00	
Benefits paid	(17.55)	
Fair value of plan assets as on 31.03.07		<u>231.86</u>
		491.96

No reimbursement rights were available as at the beginning or end of the year for recognition as an asset.

d) The total expense recognised in the profit and loss is as follows:

Particulars	Rs (Lacs)
Current service cost	27.97
Interest cost	40.76
Expected return on plan assets	(29.47)
Actuarial gains and losses	(25.10)
Amount recognised in the profit and loss account	<u>14.16</u>

The expense has been included under the head "contribution for gratuity" under "Employee cost" in the profit and loss account

e) The major category of plan assets as percentage of total plan assets are as follows:

Particulars	% to the total	Rs (Lacs)
Investments in of HDFC Std Life Group Unit Linked Plan	96%	474.49
Amounts held in current account with bank	4%	17.47
Investment in company's own financial instruments	-	-
Investment in property or other assets used by the company	-	-

f) Principal actuarial assumptions used as at the balance sheet date:

Particulars	As of 31.03.07
Discount rate	8%
Expected rate of return on plan assets	8%
Average future working life (Years)	15

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The return has been taken at 8% being the current bond rate.

g) Particulars for the current annual period ending 31.03.07

Particulars	Current annual period ending on 31.03.07
Present value of the defined benefit obligation	530.28
Fair value of plan assets	491.96
Deficit in plan assets	(38.32)
Liability recognised as on 31.03.07	38.32
The experience adjustments arising on the plan liabilities as an amount	22.95
The experience adjustments arising on the plan assets as an amount	(14.05)
Company's best estimate of contributions to be paid to the plan for the year 2007-08	50.00

26 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 Spintex Ltd, Benwood Corporation Sdn Bhd (Associate Co during 05-06, Subsidiary during 06-07), Key Mgt Personnel : Mr D Sarath Chandran, Mr Ashwin Chandran, Mr A Ramkrishna Mr P Sai Prakash, Mr Prashanth Chandran, Others : Suprem Associates, Associate Company Meridian Industries Ltd (for the yr 05-06)

Rs. Lacs

Nature of Transaction	2006-07				2005-06			
	Subsidiary Co	Key Mgt Personnel	Associate Co	Others	Subsidiary Co	Key Mgt Personnel	Associate Co	Others
Lease Rental / Deposit	-	-	-	75.49	-	-	67.17	74.54
Wind Energy Income	35.56	-	-	-	30.22	-	68.37	-
Cotton Waste Purchase	-	-	-	-	-	-	49.14	-
Processing Charges Receipt	644.36	-	-	-	1014.26	-	9.51	-
Processing Charges Payment	280.6	-	-	-	233.96	-	-	-
Sale of Yarn	493.56	-	-	-	-	-	355.17	-
Commission on Exports	20.64	-	-	-	-	-	14.72	-
Dividend Recd	8.01	-	-	-	-	-	6.28	-
Remuneration	-	160.63	-	-	-	126.22	-	-
Amount Outstanding as at year end - Dr	213.82	-	-	75.49	281.99	-	0.32	178.46
Amount Outstanding as at year end - Cr	32.41	-	-	-	-	70.64	-	-
Provision for Doubtful Debts / Write Backs / Write Off					Nil			

As per our report of even date attached

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**  
Director Operations  
**G Manikandan**

Coimbatore, 14th June, 2007

Company Secretary / Head of Finance



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I Registration Details</b>			
Registration No.	: 1183	State Code	: 18
Balance Sheet Date	: 31.03.2007		
<b>II Capital Raised during the year (Amount in Rs Thousands)</b>			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
<b>III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)</b>			
Total Liabilities	: 3615811	Total Assets	: 3615811
<b>Sources of Funds</b>			
Paid-up Capital	: 69500	Reserves & Surplus	: 1601134
Secured Loans	: 1917106	Unsecured Loans	: 28071
<b>Application Funds</b>			
Net Fixed Assets	: 2279166	Investments	: 239686
Net Current Assets	: 1096959	Misc. Expenditure	: NIL
Accumulated Losses	: NIL		
<b>IV Performance of Company(Amount in Rs Thousands)</b>			
Total Income	: 3404170	Total Expenditure	: 3151869
Profit Before Tax	: 252301	Profit After Tax	: 188913
Earnings Per Share	: 27.18	Dividend %	: 50%
<b>V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b>			
Item Code No. (ITC Code)		Major Product Description	
5205.11		Cotton Yarn	
5207.39		Processed Fabrics	
5508.10		Polyster Sewing Thread	

As per our report of even date attached

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**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007

### Statement Pursuant to Section 212 of the Companies Act, 1956

1 Name of Subsidiary	Suprem Textiles Processing Limited	Multiflora Processing (CBE) Limited	Precot Spintex Limited	Benwood Corporation Sdn Bhd
2 Financial year ending	31.3.2007	31.3.2007	31.3.2007	31.12.2006
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, 2007	(66007)	133280	(5056)	2907304
ii. for the previous financial year	274534	238131	106772	4446033
b) dealt with in the accounts of the Company				
i. for the year ended 31st March, 2007				
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**  
Director Operations

**G Manikandan**  
Company Secretary / Head of Finance



## Cash Flow Statement

	<b>31.03.2007</b>	<b>31.03.2006</b>
	<b>Rs. Lacs</b>	<b>Rs. Lacs</b>
<b>A. Cash flow from operating activities</b>		
Net profit before tax and extraordinary items	<b>2523.01</b>	2122.10
<b>Adjustment for:</b>		
Depreciation	<b>2414.57</b>	1862.97
(Profit)/loss on sale of assets	<b>3.25</b>	(70.16)
Investment income - dividend	<b>(71.53)</b>	(70.44)
Interest income	<b>(29.30)</b>	(333.27)
VRS written off during the year	<b>16.95</b>	-
Lease rental receipts	<b>-</b>	(67.17)
Agricultural( income)/expenses	<b>(1.67)</b>	(1.58)
(Profit)/loss on sale of investments	<b>(31.85)</b>	(285.14)
Interest payments	<b>943.85</b>	512.77
	<b>3244.27</b>	1547.98
Operating profit before working capital changes	<b>5767.28</b>	3670.08
<b>Adjustments for:</b>		
Trade receivables	<b>(497.56)</b>	288.40
Other receivables	<b>(1001.54)</b>	(495.11)
Inventories	<b>(949.16)</b>	(1431.17)
Trade payables	<b>(1577.41)</b>	2,226.24
	<b>(4025.68)</b>	588.36
Cash generated from operations	<b>1741.60</b>	4258.44
Direct taxes paid	<b>(493.85)</b>	(30.35)
	<b>1247.75</b>	4228.09
<b>Extra-ordinary items:</b>		
VRS payments	<b>-</b>	(16.95)
<b>Net cash flow from operating activities</b>	<b>1247.75</b>	4211.14
<b>B. Cash flow from investing activities:-</b>		
Purchase of fixed assets	<b>(7709.01)</b>	(2906.83)
Capital working progress	<b>86.03</b>	213.14
Sale of investments	<b>49.84</b>	544.00
Interest received	<b>29.30</b>	333.27
Dividend received	<b>71.53</b>	70.44
Lease rental received	<b>-</b>	67.17
Agricultural income/(expenditure)	<b>1.67</b>	1.60
<b>Net cash flow from investing activities</b>	<b>(7470.64)</b>	(1677.21)
<b>C. Cash flow from financing activities:-</b>		
Dividends paid	<b>(504.18)</b>	(217.53)
Interest paid	<b>(947.64)</b>	(512.91)
Proceeds from long term borrowings	<b>6090.28</b>	(427.50)
Proceeds from unsecured loan/deposits	<b>16.83</b>	(1.88)
Proceeds from working capital borrowings	<b>997.20</b>	(793.64)
<b>Net cash flow from financing activities</b>	<b>5652.49</b>	(1953.46)
<b>Net increase/(decrease) in cash and Cash equivalent</b>	<b>(570.40)</b>	580.47
Cash and cash equivalents as at 1.4.2006		
And 1.4.2005 (opening balance)	<b>* 1053.86</b>	456.73
<b>Cash and cash equivalents as at 31.03.2007</b>		
<b>And 31.3.2006 (closing balance)</b>	<b>483.46</b>	1037.20

Note : \* includes opening cash balance of Meridian Industries Limited

As per our report of even date attached

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**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007

We have audited the attached Balance Sheet of Precot Meridian Limited, Coimbatore, as at 31<sup>st</sup> March, 2007 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 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 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, 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 31<sup>st</sup> March 2007;
    - 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 explanation 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 explanation given to us, no undisputed amounts payable in respect of the above statutory dues were in arrears, as at 31.03.2007, 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 Statute	Nature of the dues	Financial year	Amount of demand Rs. in Lacs	Amount paid Rs. in Lacs	Forum where dispute is pending
Service Tax	Tax	2004-05, 2005-06	3.23	NIL	Asst. Comm.(CE)
Central Excise	Tax & Interest	2006-07	28.19	4.38	Asst. Comm.(CE)
		2002-03, 2006-07	10.10	10.10	Chief Comm.(CE)
		2006-07	8.61	NIL	CESTAT
		2001-02	0.41	NIL	APSTAT
Sales Tax -APGST	Tax	2002-03	0.59	NIL	D.C.C.T.(Appeals)
Sales Tax -CST	Tax	1998-99	3.81	3.81	Asst. Comm.(CE)
		2000-01, 2001-02	9.22	9.22	APSTAT
		2002-03	6.96	NIL	D.C.C.T.(Appeals)
Income Tax	Tax	2003-04	239.00	NIL	CIT (Appeals)

10. The company does not have any accumulated losses as at 31.03.2007. 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 terms and conditions, on which the Company has given guarantees for loans taken by others from Banks or Financial Institutions, are not prejudicial to the interest of the Company.
16. The company has applied the term loans for the purposes for which they were raised.
17. According to the information and the explanation 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 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.

Coimbatore  
14th June, 2007

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)



## Consolidated Balance Sheet

		As at 31.03.2007 Rs.Lacs	As at 31.03.2006 Rs.Lacs
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	695.00	545.00
Reserves & Surplus	2	13670.09	10890.18
<b>Loan Funds</b>			
Secured Loans	3	19171.06	9590.09
Unsecured Loans	4	280.71	-
<b>Deferred Tax Liability</b>		<b>2533.01</b>	<b>2056.75</b>
<b>Total Funds Employed</b>		<b><u>36349.87</u></b>	<b><u>23082.02</u></b>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Gross Block	5	43044.78	29475.50
Less: Depreciation		<u>21419.32</u>	<u>16019.89</u>
		21625.46	13455.61
Capital Work-in-progress		<u>1198.59</u>	<u>469.93</u>
<b>Net Block</b>		<b><u>22824.05</u></b>	<b><u>13925.54</u></b>
<b>Investments</b>	6	<b>2217.24</b>	<b>2885.92</b>
<b>Current Assets</b>			
a) Inventories		8336.80	5819.03
b) Sundry Debtors		2100.84	1206.18
c) Cash & Bank Balances		691.76	1138.14
d) Other Current Assets		494.40	368.09
<b>Loans &amp; Advances</b>	7	<u>4168.35</u>	<u>2218.32</u>
		15792.15	10749.76
Less: Current Liabilities & Provisions	8	<u>4483.57</u>	<u>4746.62</u>
<b>Net Current Assets</b>		<b><u>11308.58</u></b>	<b><u>6003.14</u></b>
Miscellaneous Expenditure	9	-	267.42
<b>Total Funds Deployed</b>		<b><u>36349.87</u></b>	<b><u>23082.02</u></b>

Schedules 1 to 9, Significant Accounting Policies and notes on Consolidated 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)

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

**D Sarath Chandran**  
Chairman & Managing Director  
**Ashwin Chandran**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007



## Consolidated Profit and Loss Account

	Schedule	Year Ended 31.03.2007 Rs.Lacs	Year Ended 31.03.2006 Rs.Lacs
<b>Income</b>			
Sales - Domestic	10	26619.83	21154.05
- Exports		7468.22	3059.98
Other Income	11	504.61	706.34
Share in Profits / loss of associates		-	16.66
Increase / Decrease In Stock of finished goods	12	503.98	13.32
		<b>35096.64</b>	<b>24950.35</b>
<b>Expenditure</b>			
Raw Materials	13	16370.63	10673.95
Salaries & Wages	14	2952.12	2402.60
Power & Fuel		3901.01	2982.39
Stores		1496.44	1123.39
Repairs & Maintenance	15	1908.61	1557.24
Processing Charges		432.61	390.00
Selling Expenses	16	1418.87	1049.37
Administrative Expenses	17	708.90	566.50
Interest & Finance Charges	18	910.15	179.88
Preliminary Expenses written off		-	0.02
		<b>30099.34</b>	<b>20925.34</b>
<b>Profit before Depreciation and tax</b>		<b>4997.30</b>	<b>4025.01</b>
Less : Depreciation	5	2384.43	1831.53
Amortisation of intangible assets		46.76	46.76
<b>Profit Before Tax</b>		<b>2566.11</b>	<b>2146.72</b>
Less: a) Provision for Taxation		567.03	329.76
b) Fringe Benefit Tax (FBT)		14.60	9.94
c) Deferred Tax Adjustment		50.73	282.00
d) Provision for FBT(Prior Year)		8.55	-
<b>Net Profit</b>		<b>1925.19</b>	<b>1525.02</b>
Add: Balance brought forward		380.54	328.38
<b>Profit available for Appropriation</b>		<b>2305.73</b>	<b>1853.40</b>
Proposed Dividend		347.50	327.00
Tax on Proposed Dividend		59.06	45.86
Transfer to General Reserve		1500.00	1100.00
Balance in Profit and Loss A/c		399.18	380.54
		<b>2305.73</b>	<b>1853.40</b>
Earnings Per Share (in Rs.) (Face Value Rs. 10 per share)		<b>27.70</b>	<b>27.98</b>

Schedules 5, 10 to 18, Significant Accounting Policies and notes on Consolidated Accounts form part of this Profit & Loss Account

As per our report of even date attached

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**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007



## Schedules Annexed to Consolidated Financial Statements

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>Schedule 1 - Share Capital</b>		
<b>Authorised</b>		
9000000 Equity Shares of Rs.10 each (Previous Year 6000000 shares)	<u>900.00</u>	<u>600.00</u>
<b>Issued, Subscribed &amp; Paidup</b>		
6950000 Equity Shares of Rs.10 each (Previous Year 5450000 shares)	<u>695.00</u>	<u>545.00</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 during the year consequent to merger of Meridian Industries Ltd with the Company

### Schedule 2 - Reserves and Surplus

	As on 01.04.06	Addition		Withdrawal		As on 31.03.07	As on 31.03.06
		I	II	I	II		
Capital Reserve	48.19	-	-	-	-	48.19	48.19
Share Premium *	2350.00	-	178.93	-	316.47	2212.46	2350.00
General Reserve **	8032.74	1886.07	1061.27	254.78	-	10725.30	8032.74
Capital Investment Subsidy	23.71	-	5.00	-	-	28.71	23.71
Surplus in Profit and Loss Account	380.54	1925.19	122.47	2129.08	-	299.12	380.54
Foreign currency translation reserve	-	1.31	-	-	-	1.31	-
Capital Redemption Reserve	55.00	-	300.00	-	-	355.00	55.00
	<u>10890.18</u>	<u>3812.57</u>	<u>1667.67</u>	<u>2383.86</u>	<u>316.47</u>	<u>13670.09</u>	<u>10890.18</u>

Note :

a) Column I refers to additions / Withdrawals during the year and Column II refers to Additions /Withdrawals consequent to merger of Meridian Industries Limited.

b) An Amount of Rs.55 Lacs was transferred to Capital Redemption Reserve consequent to buyback of 5,50,000 equity shares in July 02.

\* Refer Note No.1 (b) in Notes forming part of Accounts of Stand alone Precot Meridian Limited

\*\* Refer Note No.25 in Notes forming part of Accounts of Stand alone Precot Meridian Limited

### Schedule 3 - Secured Loans

#### A) Term Loans from Banks

1) In Rupee	9984.47	8442.00
2) In Foreign Currency	6053.64	-

#### B) Working Capital Facilities from Banks

1) In Rupee	1099.79	-
2) In Foreign Currency	2033.16	1148.09
	<u>19171.06</u>	<u>9590.09</u>

### Schedule 4 - Unsecured Loans

From others		
Sales tax deferral loan	280.71	-
	<u>280.71</u>	-



## Schedules Annexed to Consolidated Financial Statements

### Schedule - 5 Fixed Assets (Rs. In Lacs)

	Gross Block				Depreciation				Net Block			
	As on 01.04.2006	Additions		Sales/ Transfers During the Year	Total Cost As on 31.03.2007	Upto 31.03.2006	For the year		Withdrawals during the year	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
		I	II			I	II					
<b>A. Tangible Assets</b>												
Land	228.26	18.20	33.03	-	279.49	-	-	-	-	-	279.49	228.26
Buildings	2748.78	1442.45	1088.07	30.28	5249.03	600.84	119.62	273.30	-	993.76	4255.27	2147.94
Plant & Machinery	25982.34	5447.87	5585.07	143.66	36871.63	15249.79	2234.43	2734.59	55.43	20163.38	16708.25	10732.55
Office Furniture	96.34	29.35	25.70	-	151.39	37.61	7.14	10.89	-	55.64	95.75	58.73
Motor Vehicles	185.97	38.32	37.16	6.61	254.84	38.12	23.24	8.45	3.56	66.25	188.59	147.85
<b>B. Intangible Assets</b>												
ERP Expenditure & Software *	233.80	4.60	-	-	238.40	93.52	46.76	-	-	140.29	98.11	140.28
<b>Total</b>	29475.49	6980.79	6769.03	180.55	43044.78	16019.88	2431.19	3027.23	58.99	21419.32	21625.46	13455.61
Capital (WIP)	469.93	1197.32	0.44	469.10	1198.59	-	-	-	-	-	1198.59	469.93
<b>Grand Total</b>	29945.42	8178.11	6769.47	649.65	44243.37	16019.88	2431.19	3027.23	58.99	21419.32	22824.05	13925.54

Note: Column I Refers to Additions during/Depreciation for the year and Column II refers to Transfer of Assets/  
Accumulated Depreciation consequent to merger of Meridian Industries Limited

\* 1/5th of the intangible asset value amortised during the year.

### Schedule 6 - Investments (Long Term)

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2007 in Nos.	31.03.2006 in Nos.	31.03.2007 Rs.Lacs	31.03.2006 Rs.Lacs
<b>A. Equity Shares</b>					
<b>(Fully paid up, valued at cost)</b>					
<b>Trade Quoted</b>					
Lakshmi Synthetic Machinery Manufacturers Ltd	10	30000	30000	-	3.00
<b>Non Trade Quoted</b>					
Pricol Limited	1	5462250	5462250	199.33	199.33
<b>Trade Unquoted</b>					
Vantex Limited	10	100000	100000	19.00	19.00
A.P.Gas Power Corporation Limited	10	1206000	1206000	1964.87	1964.87
OPG Energy Pvt Ltd	10	340000	-	34.00	-
<b>Non Trade Unquoted</b>					
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

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

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2007 in Nos.	31.03.2006 in Nos.	31.03.2007 Rs.Lacs	31.03.2006 Rs.Lacs
<b>Associate Concern</b>					
Benwood Corporation Sdn Bhd	*	-	150000	-	20.80
Super Farm Products Limited	100	-	6000	-	6.00
Share of profit from associate	-	-	-	-	197.88
<b>B.Preference Sharess (Fully paid up, valued at cost)</b>					
Terra Agro Technologies Limited (14% Cummulative Non Convertible)	10	-	500000	-	50.00
Terra Agro Technologies Limited (12.5% Cummulative Non Convertible)	10	-	250000	-	25.00
<b>D.Investment in Government Securities</b>					
National Saving Certificate	-	-	-	0.02	0.02
<b>E.Investment in Debentures</b>					
7% Optionally Convertible Debentures Meridian Industries Limited	100	-	400000	-	400.00
				<b>2217.24</b>	<b>2885.92</b>
Aggregate value of quoted investments					
Cost				<b>199.32</b>	221.33
Market value				<b>1863.34</b>	2237.71
Aggregate value of unquoted investment					
Cost				<b>2199.39</b>	2664.59

\* Malaysian Co, Face Value of each share - RM 1 each.

Schedule 7 -		31.03.2007	31.03.2006	Schedule 7 - (Cond..)	
		Rs. Lacs	Rs. Lacs	31.03.2007	31.03.2006
				Rs. Lacs	Rs. Lacs
<b>Current Assets, Loans &amp; Advances</b>					
<b>A.Current Assets:</b>					
<b>Inventories - At lower of cost &amp; net estimated realisable value. (As valued and certified by Management)</b>					
Raw materials	5294.01	4011.64	Prepaid Expenses	56.65	36.90
Stock-in-process	1369.60	890.65	Other Deposits	312.85	221.91
Waste Cotton	37.92	25.60	Balance Recoverable from		
Finished Goods	1225.18	622.77	Govt. authorities	8.43	9.91
Stock of Stores	410.09	268.37	Tax payment pending adj.	1324.92	836.73
	<b>8336.80</b>	<b>5819.03</b>	Advance for others	2232.77	902.68
			Deposits with Government	232.73	210.19
<b>Sundry Debtors</b>					
Unsecured and considered good					
Outstanding for a period exceeding six months	24.47	34.24	Authorities	4168.35	2218.32
Other debts	2076.37	1171.94			
	<b>2100.84</b>	<b>1206.18</b>			
<b>Cash and Balances with Scheduled Banks</b>					
In Current Account	433.99	972.37	<b>Schedule 8 - Current Liabilities and Provisions</b>		
In Term Deposits	178.18	111.00	<b>A.Current Liabilities</b>		
In Unpaid Dividend Account	33.55	19.80	Sundry Creditors *	2783.80	3666.32
Cash, Cheques & Stamps on hand	46.04	34.97	Trade Deposits	54.33	51.83
	<b>691.76</b>	<b>1138.14</b>	Interest accrued and due	0.23	4.02
<b>Other Current Assets</b>					
Income accrued and receivable	494.40	368.09	<b>Investor Education &amp; Protection Fund Items not due</b>		
	<b>494.40</b>	<b>368.09</b>	a)Unclaimed dividends	33.55	19.80
			b)Matured unclaimed Fix. dep.	1.94	1.64
				<b>2873.85</b>	<b>3743.61</b>



## Schedules Annexed to Consolidated Financial Statements

	31.03.2007	31.03.2006		31.03.2007	31.03.2006
	Rs. Lacs	Rs. Lacs		Rs. Lacs	Rs. Lacs
<b>Schedule 8 - (Cond..)</b>			<b>Schedule 13 - Raw Materials</b>		
<b>B.Provisions</b>			Opening Stock		
Provision for Taxation	1155.07	600.16	Raw Material	4011.64	2701.20
Other Provisions	9.77	20.67	Stock in Process	890.65	844.67
Provision for Gratuity & Super annuation fund	38.32	9.32	Waste Cotton	25.60	27.31
Proposed Dividend	347.50	327.00		4927.89	3573.18
Tax on Dividend	59.06	45.86	Add : Purchases	18554.14	12237.44
	<u>1609.72</u>	<u>1003.01</u>		23482.03	15810.62
			Less: Sales Waste Cotton	409.87	208.78
				<u>23072.16</u>	15601.84
			Less: Closing Stock		
			Raw Material	5294.01	4011.64
			Stock in Process	1369.60	890.65
			Waste Cotton	37.92	25.60
				<u>6701.53</u>	4927.89
			Raw material Consumption	<u>16370.63</u>	10673.95
			<b>Schedule 14 - Salaries and Wages</b>		
			Salaries , wages and Bonus	2426.96	1937.74
			Contribution to Provident Fund, ESI	208.74	178.46
			Gratuity & Superannuation Fund	22.88	49.20
			Welfare expenses	134.95	110.98
			Managing Director's remuneration	92.78	62.59
			Directors remuneration	65.81	63.63
				<u>2952.12</u>	2402.60
			<b>Schedule 15 - Repairs and Maintenance</b>		
			Building	151.47	233.09
			Machinery	1614.88	1249.05
			Others	142.26	75.10
				<u>1908.61</u>	1557.24
			<b>Schedule 16 - Selling Expenses</b>		
			Yarn Brokerage and Commission	511.39	392.15
			Export-Freight and handling & Commission	322.77	206.69
			Transport charges from Mills to Depots	276.38	224.37
			Fabric Selling Expenses	51.10	76.21
			Other Selling Expenses	155.48	149.95
			Quality Claims	101.75	-
				<u>1418.87</u>	1049.37
			<b>Schedule 17 - Administrative Expenses</b>		
			Insurance	52.52	70.73
			Postage and Telegram	44.70	35.67
			Printing and Stationery	48.66	34.75
			Travelling and Transport charges	130.23	140.18
			Taxes and Licence	31.61	25.29
			Professional Charges	67.94	66.07
			Directors sitting fees	3.67	4.15
			Books,Periodicals and subscriptions	13.51	4.53
			Bad Debts Written-Off	17.49	18.63
			Establishment Charges	91.53	77.68
			ISO Expenses	11.41	11.38
			Rent	15.61	3.67
			Security Charges	26.58	13.29
			Advertisement Charges	12.50	10.50
			Agricultural Expenses	5.22	4.96
			Loss on Sale of Assets	4.04	-
			Loss from Partnership firm	0.31	-
			Auditor Remuneration	1.81	0.40
			Others	129.56	44.62
				<u>708.90</u>	566.50
			<b>Schedule 12 - Increase / (Decrease) in Finished Goods</b>		
Stock at Closing	1222.29	622.77			
Less: Stock at Opening	718.31	609.45			
	<u>503.98</u>	<u>13.32</u>			

\* Due to Small Scale Industries - Rs. Nil

### Schedule 9 - Miscellaneous Expenditure (To the extent not written off or adjusted)

Deferred Voluntary Retirement Compensation	267.42	267.42
Less :Written off during the year	16.95	-
Adjusted against share premium (Refer Note No.3(b) in Notes on Accounts)	250.47	-
	<u>-</u>	<u>267.42</u>

### Schedule 10 - Sales

Gross Sales - Yarn	21624.42	17566.25
Domestic - Fabric	4946.47	3445.23
- Garment	46.53	64.68
- Wind Energy	-	68.39
Direct Exports - Yarn	7453.36	3014.80
- Fabric	14.86	45.18
Processing charges receipt	2.41	9.50
	<u>34088.05</u>	<u>24214.03</u>

### Schedule 11 - Other Income

<b>Income from Trade Investments</b>		
Dividend from other than Subsidiaries	8.90	1.00
<b>Income from Non-Trade Investments</b>		
Dividend from other than Subsidiaries	56.72	71.54
Profit on Sale of Investment	31.84	285.14
Profit On Sale of Assets	-	70.16
Foreign Exchange Gain	234.89	30.87
Lease Rental Receipts (Net)	-	67.17
Rent Receipts	11.81	7.53
Agricultural Income	6.89	6.54
Insurance Claim Receipts	1.92	5.11
Scrap-sales	74.02	60.43
Waste Packing Receipts	15.47	16.96
Miscellaneous Income	62.15	83.89
	<u>504.61</u>	<u>706.34</u>



## Consolidated Financial Statements

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>Schedule 18 - Interest and Finance charges</b>		
Fixed Loans	605.27	340.37
Others	282.51	137.95
	<u>887.78</u>	<u>478.32</u>
Less : Interest receipts	36.80	333.27
Add : Bank Charges and Commissions	59.17	34.83
	<u>910.15</u>	<u>179.88</u>

### 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:

- i) 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.
- ii) 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.
- iii) 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.

2. 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

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

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

- 2 Associate Companies considered during the previous year (2005-06) in the consolidated financial statements are.

Name of the Associate	Country of Incorporation	% of Ownership Interest
a Benwood Corporation Sdn Bhd	Malaysia	50
b Super Farm Products Ltd	India	30

**Note :** Benwood Corporation Sdn Bhd became a subsidiary of Precot during the current year

- 3 Meridian Industries Limited (MIL), an unlisted company of the group was merged with the company with effect from 1<sup>st</sup> April, 2006. The Merger and the scheme of Amalgamation was approved by the High Court of Madras vide its order dated 30<sup>th</sup> August 2006. In accordance with the scheme of amalgamation, the following adjustments have been made in the accounts apart from the routine consequential adjustments.

a) 15 lac shares have been issued as fully paid up to the shareholders of MIL as consideration, in the ratio of one share for every two shares held by them.

b) The unadjusted miscellaneous expenditure (Rs.250.47 lacs) and diminution in the value of investments of the company (Rs. 66 lacs) as at 01.04.2005 have been adjusted against the balance in the share premium account.

#### 4 Security for Borrowings:

a. 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.

b. Working Capital facilities from the banks are secured by pari passu first charge on Current Assets and second charge on immovable properties.

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>5 Contingent liabilities in respect of</b>		
Bills discounted	1085.53	477.09
Guarantees	444.74	200.01
Export Obligation under EPCG Scheme	25472.92	24752.16
[ The Export Obligations are to be fulfilled over a period of 8 years from the date of import of capital goods ]		

- 6 Disputed Statutory Liabilities not provided for

#### 7 Earnings Per Share

a) Net Profit available for Equity Shareholders (A)	1925.19	1525.02
b) Weighted Average number of equity shares (B) (in Lacs)	69.50	54.50
c) Basic and Diluted Earnings per Share (A)/(B) (in Rs.)	27.70	27.98
d) Face Value per share (in Rs.)	10.00	10.00



## Consolidated Financial Statements

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs	
8 The Deferred Tax Liability as at 31st March 2007 comprise of the following			9 Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
<b>a. Deferred Tax Liability on account of:</b>			10 The company operates in one primary segment, viz, Textiles.,
(i) Related to Fixed Assets	<u>2622.70</u>	<u>2098.03</u>	11 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 2007", as given in the separate financial statements of Precot Meridian Ltd and its subsidiaries.
	<u>2622.70</u>	<u>2098.03</u>	
<b>b. Deferred Tax Asset on account of :</b>			12 Related Party Disclosure : Remuneration paid to Key Management Personnel - Rs.160.63 Lacs (P.Y. Rs. 126.22 Lacs)
(i) Capital Loss	<u>56.34</u>	41.28	
(ii) Bonus and VRS	<u>20.33</u>	-	
(iii) Gratuity and Others	<u>13.02</u>	-	
	<u>89.69</u>	<u>41.28</u>	
<b>Net Liability</b>	<u>2533.01</u>	<u>2056.75</u>	

### Auditors' Report

We have examined the attached Consolidated Balance Sheet of Precot Meridian Limited ("the Company") and its subsidiary as at 31st March, 2007, 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 accepted 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, evidence 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 Standard (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 included in the consolidated financial statements except for the subsidiary firm for which unaudited financial statement has been considered. The share of profit or loss of the company in its associates have been considered for consolidation based on their unaudited financial statements for the year ended 31.03.2007.

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 or unaudited financial statements, as the case may be, of its subsidiaries and associates, 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 2007;

b) In the case of the Consolidated Profit and 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.

Coimbatore  
14th June, 2007

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)



## Consolidated Cash Flow Statement

	31.03.2007 Rs. Lacs	31.03.2006 Rs. Lacs
<b>A. Cash flow from operating activities</b>		
Net profit before tax and extraordinary items	2566.11	2146.72
<b>Adjustment for:</b>		
Depreciation	2429.97	1878.29
(Profit)/loss on sale of assets	4.04	(70.16)
Investment income - dividend	(65.62)	(72.54)
Interest income	(36.80)	(333.27)
VRS written off	16.95	-
Lease rental receipts	-	(67.17)
Agricultural( income)/expenses	(1.67)	(1.58)
(Profit)/loss on sale of investments	(31.85)	(285.14)
Interest payments	946.95	513.28
Preliminary expenses written off	-	0.02
	<u>3261.97</u>	<u>1561.73</u>
Operating profit before working capital changes	5828.08	3708.45
<b>Adjustments for:</b>		
Trade receivables	(616.76)	271.80
Other receivables	(1171.74)	(568.79)
Inventories	(1058.30)	(1341.50)
Trade payables	(1118.41)	2204.13
Cash generated from operations	<u>(3965.21)</u>	<u>565.64</u>
	1862.87	4274.09
Direct taxes paid	<u>(511.50)</u>	<u>(32.11)</u>
	1351.37	4241.98
<b>Extra-ordinary items:</b>		
VRS payments	-	(16.95)
<b>Net cash flow from operating activities</b>	<u>1351.37</u>	<u>4225.03</u>
<b>B. Cash flow from investing activities:-</b>		
Purchase of fixed assets	(7709.01)	(2436.39)
Capital working progress	-	(471.92)
Sale/write off of fixed assets	87.24	213.14
Sale of investments	49.84	258.86
Interest received	36.80	333.27
Dividend received	65.62	72.54
Lease rental received	-	67.17
Capital gain on investments	-	285.14
Agricultural income/(expenditure)	1.67	1.58
<b>Net cash flow from investing activities</b>	<u>(7467.84)</u>	<u>(1676.61)</u>
<b>C. Cash flow from financing activities:-</b>		
Dividends paid	(504.19)	(217.53)
Interest paid	(950.74)	(513.28)
Proceeds from long term borrowings	6090.28	(427.50)
Proceeds from unsecured loan/deposits	20.88	(4.22)
Proceeds from working capital borrowings	997.20	(793.63)
<b>Net cash flow from financing activities</b>	<u>5653.43</u>	<u>(1956.16)</u>
<b>Net increase/(decrease) in cash and Cash equivalent</b>	<u>(463.04)</u>	<u>592.26</u>
Cash and cash equivalents as at 1.4.2006	* 1154.80	545.88
And 1.4.2005 (opening balance)		
Cash and cash equivalents as at 31.03.2007	<u>691.76</u>	<u>1138.14</u>
And 31.3.2006 (closing balance)		

\* Includes opening cash balance of Meridian Industries Limited

As per our report of even date attached

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**  
Director Operations  
**G Manikandan**  
Company Secretary / Head of Finance

Coimbatore, 14th June, 2007

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## Suprem Textiles Processing Limited

Subsidiary of Precot Meridian Limited

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<b>Board of Directors</b>	D Sarath Chandran A Ramkrishna P Sai Prakash
<b>Auditors</b>	M/s Suri & Co, Chartered Accountants
<b>Registered Office</b>	SUPREM, P B 7161, 737, Green Fields Puliakulam Road, Coimbatore 641 045

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### Directors' Report

Your Directors present herewith the 20<sup>th</sup> Annual Report together with the audited accounts for the year ended 31st March, 2007.

#### Review of performance and future outlook

During the year under review the Company incurred a loss of Rs. 66,007. As approved by the shareholders at the Extraordinary General Meeting held on 28<sup>th</sup> March, 07, the company has sold its manufacturing facilities at KG Chavadi effective from 1.4.07 and is in the process of finalising its future strategy relating to the operations, that would be more beneficial for the company.

#### Directors

Mr P Sai Prakash 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.

#### Foreign Exchange Earnings and outgo

The Company did not have foreign exchange earnings or outgo 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 :

1. The applicable Accounting Standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
2. The Company has adopted prudent accounting policies.
3. Proper care has been taken for maintenance of accounting records in accordance with provisions of the Act; and
4. 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  
14th June, 2007

By Order of the Board  
**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Suprem Textiles Processing Limited

### Balance Sheet

	Schedule	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>Sources of Funds</b>			
<b>Share holders' Funds</b>			
Share Capital	1	<u>10000000</u>	10000000
<b>Total Funds Employed</b>		<u>10000000</u>	<u>10000000</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Gross Block	2	<u>16873663</u>	17183654
Less: Depreciation		<u>5007366</u>	3577540
Net Block		<u>11866297</u>	13606114
<b>Investments</b>	3	<u>197500</u>	197500
<b>Current Assets and Loans &amp; Advances</b>			
Inventories	4	<u>589635</u>	539986
Sundry Debtors		-	242038
Cash & Bank Balances		<u>123482</u>	399973
Loans & Advances		<u>12306913</u>	13855040
		<u>13020030</u>	15037037
<b>Less: Current Liabilities &amp; Provisions</b>	5	<u>16501729</u>	20192546
<b>Net Current Assets</b>		<u>(3481699)</u>	(5155509)
Debit balance in Profit and Loss Account		<u>1417902</u>	1351895
<b>Total Funds Deployed</b>		<u>10000000</u>	<u>10000000</u>

Schedules 1 to 5, Significant accounting policies and notes forming part of accounts form part of this Balance Sheet

### Profit and Loss Account

	Schedule	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
<b>Income</b>			
Sales-Domestic		<u>16858920</u>	95208872
Processing Charges Receipt		<u>28320861</u>	24180188
Other Income	6	<u>630041</u>	469679
		<u>45809822</u>	<u>119858739</u>
<b>Expenditure</b>			
Raw Materials		<u>6601333</u>	45694386
Processing charges		<u>8566803</u>	44657682
Salaries & wages		<u>9809174</u>	8437331
Power & Fuel	7	<u>8279204</u>	7739412
Stores & Spares	8	<u>2088784</u>	2619942
Repairs & Maintenance	9	<u>6102061</u>	3919257
Selling Expenses	10	<u>690646</u>	3355347
Administrative Expenses	11	<u>2164505</u>	1591164
Auditor's Remuneration	12	<u>16969</u>	16800
Interest &	13	<u>16319</u>	21200
Finance Charges		<u>44335798</u>	118052521
<b>Profit/(Loss) for the year</b>		<u>1474024</u>	1806218
Less: Depreciation	2	<u>1540031</u>	1531684
<b>Profit /(Loss) before Tax</b>		<u>(66007)</u>	274534
Less: Provision for Taxation			
<b>Net Profit/(Loss) After Tax</b>		<u>(66007)</u>	274534
Add: Balance brought forward		<u>(1351895)</u>	(1626429)
<b>Balance Carried Forward to Balance Sheet</b>		<u>(1417902)</u>	(1351895)
Earnings Per Share (Face Value Rs.100) (Refer Note no. B1)		<u>(0.66)</u>	2.75

Note: The Directors have waived their sitting fees.

Schedule 2, 6 to 13, Significant accounting policies and notes forming part of accounts form part of this Profit & loss account

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

Coimbatore, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

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

	<b>31.03.2007</b>	31.03.2006
	<b>Rs.</b>	<b>Rs.</b>
<b>Schedule 1 - Share Capital</b>		
Authorised, Issued, Subscribed and Paidup 1,00,000 Equity Shares of Rs. 100 each	<b><u>10000000</u></b>	<u>10000000</u>

**Schedule 2 - Fixed Assets**

	Gross Block			Depreciation			Net Block			
	As on 01.04.2006	Additions/ Transfers During the Year	Sales/ Transfers During the Year	Total Cost As on 31.03.2007	Upto 31.03.2006	For the year	Withdrawals during the year	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land	220520	-	-	<b>220520</b>	-	-	-	-	<b>220520</b>	220520
Buildings	3125802	-	-	<b>3125802</b>	241454	96581	-	<b>338035</b>	<b>2787767</b>	2884348
Plant & Machinery	13542313	-	35925	<b>13506388</b>	3265677	1418310	19897	<b>4664090</b>	<b>8842298</b>	10276636
Office Furniture	20953	-	-	<b>20953</b>	3968	1274	-	<b>5242</b>	<b>15711</b>	16985
Motor Vehicles	274066	-	274066	-	66441	23867	90308	-	-	207625
<b>TOTAL</b>	<b>17183654</b>	<b>-</b>	<b>309991</b>	<b>16873663</b>	<b>3577540</b>	<b>1540031</b>	<b>110205</b>	<b>5007366</b>	<b>11866297</b>	<b>13606114</b>

**Schedule 3 - Investments ( Long term )**

Particulars	Face Value	Qty Nos.	As on 31.03.2007	As on 31.03.2006
<b>Investment in shares- Long Term</b> (Equity Shares, fully paid up, valued at cost )				
<b>Non - Trade - Quoted</b>				
Pricol Ltd	1	21000	<b>185500</b>	185500
<b>Investment in Partnership Firm</b>	-	-	<b>10000</b>	10000
<b>Govt. Securities</b>				
National Saving Certificate	-	-	<b>2000</b>	2000
			<b><u>197500</u></b>	<u>197500</u>
Quoted Investments Cost Rs.1.85 Lacs			<b>1.85</b>	1.85
Market Value			<b>68.99</b>	82.85
Aggregate value of UnQuoted Investments			<b>0.12</b>	0.12

**Schedule 4 - Current Assets, Loans & Advances**
**A. Current Assets**
**Inventories**

At Lower of cost and Net realisable Value

( As valued and certified by Management )

Stores

<b>589635</b>	<u>539986</u>
<b>589635</b>	<u>539986</u>

**Sundry Debtors**

Unsecured considered good

Outstanding for a period exceeding six months

Other Debts

-	-
-	<u>242038</u>
-	<u>242038</u>

**Cash and Bank Balances**

Cash In Hand

In Current Account

<b>40276</b>	51306
<b>83206</b>	348667
<b><u>123482</u></b>	<u>399973</u>

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

	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
<b>B.Loans and Advances</b>		
Unsecured, Considered good recoverable in cash or in kind or for value to be received :		
Tax payments pending adjustments	4274301	3770287
Deposits	1268179	1072669
Advances Sales Tax	6500000	6500000
Advance Others	199596	2507646
Prepaid expenses	64837	4438
	<u>12306913</u>	<u>13855040</u>
<b>Schedule 5 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
Precot Merdian Ltd	15314930	17908641
Salaries,Wages	586054	1734294
Outstanding Expenses	6745	6612
<b>Provisions</b>		
Provision for Bonus	384000	333000
Provision for Taxation	210000	210000
	<u>16501729</u>	<u>20192547</u>
<b>Schedule 6 - Other Income</b>		
Income from Non Trade Investments		
- Dividend from other than subsidiaries	210000	210000
Interest Receipts	92841	17365
Sales - Scrap	268504	238384
Others	58696	3930
	<u>630041</u>	<u>469679</u>
<b>Schedule 7 - Power and Fuel</b>		
Purchased power	1574663	2501644
Wind Power	3555978	3021292
Fuel Consumption	3148563	2216476
	<u>8279204</u>	<u>7739412</u>
<b>Schedule 8 - Stores and Spares</b>		
Stores and Consumables	402248	393826
Packing Materials	288020	441571
Chemicals	832925	934217
Stores Expenses	565591	850328
	<u>2088784</u>	<u>2619942</u>
<b>Schedule 9 - Repairs and Maintenance</b>		
Building		
Machinery	625932	368602
Electrical	2331008	1919303
Factory Vehicles	1361293	581553
Others	1617579	934324
	<u>166249</u>	<u>115475</u>
	<u>6102061</u>	<u>3919257</u>
<b>Schedule 10 - Selling Expenses</b>		
Yarn Selling Expenses	580768	2784045
Transport Charges	109878	571302
	<u>690646</u>	<u>3355347</u>

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

	As on 31.03.2007	As on 31.03.2006
<b>Schedule 11 - Administrative Expenses</b>		
Insurance	26433	117159
Postage & Telephone	127352	97748
Printing & Stationery	260354	263276
Travelling Expenses	873100	427154
Taxes and Licenses	140108	174948
Loss on sale of Assets	78597	-
Loss from Partnership firm	30843	477
Professional Charges	19500	56705
Security Charges	425887	-
Others	182331	453697
	<u>2164505</u>	<u>1591164</u>
<b>Schedule 12 - Auditor's Remuneration</b>		
Statutory Audit	6745	6742
Tax Audit	8979	8265
Audit Expenses	1245	1793
	<u>16969</u>	<u>16800</u>
<b>Schedule 13 - Interest &amp; Finance Charges</b>		
Bank charges	16319	21200
	<u>16319</u>	<u>21200</u>

**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. 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. Borrowing costs:**

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalised 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.

**4. 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.

**5. Depreciation:**

Depreciation is provided on the Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

**6. 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.

**7. Inventories:**

- Inventories are valued at lower of cost and estimated net realisable value.
- The basis of determining cost for various categories of inventories are as follows:-
  - Raw Materials, Packing Materials and Stores and Spares : Weighted average basis.
  - Finished Goods and Goods-In-Process : Cost of Direct Material, Labour and other Manufacturing overheads.

## Suprem Textiles Processing Limited

### 8. 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 despatch of goods.
- c) Domestic sales as reported in the profit and loss account are exclusive of tax/duties and trade discounts.
- d) Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

### 9. 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.

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 realised.

### 10. Retirement benefits:

Contribution to Provident Fund is charged to Profit and Loss Account.

<b>B Other notes on accounts</b>	<b>31.03.2007</b>	31.03.2006
	<b>Rs.</b>	Rs.
1 Earning Per Share		
a) Net Profit available for Equity Shareholders (A)	<b>(66007)</b>	274534
b) Weighted Average number of equity shares (B)	<b>100000</b>	100000
c) Basic and Diluted Earnings per Share (A)/(B)	<b>(0.66)</b>	2.75
d) Face Value per Share	<b>100</b>	100
2 The company operates in one primary segment, viz, Textiles.,		
3 Figures for the previous year have been regrouped / reclassified wherever necessary to confirm to current year's classification.		
4 There are no earnings or expenditure in Foreign Currency.		
5 Amounts due to SSI units : Nil.		
6 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 of uncertainty over future income flows.		
7 Auditor's Remuneration as under		
i) Statutory Audit	<b>6000</b>	6000
Service Tax thereon	<b>745</b>	742
ii) Tax Audit	<b>8979</b>	8265
iii) Certification and Other Services	-	-
iv) Reimbursement of expenses	<b>1245</b>	1793
	<b>16969</b>	16800
8 The Company has opted out of levy of excise duty payment from July 2004		
9 Disputed statutory liability not provided for	<b>392000</b>	392000
10 <b>Related Party Disclosure -</b>		
Related Parties : Holding Co. : Precot Meridian Ltd, Fellow Sub. Co. : Multiflora Processing (Coimbatore) Ltd.		

<b>Nature of Transaction</b>	<b>2006-07</b>		<b>2005-06</b>	
	<b>Holding Co.</b>	<b>Fellow Sub. Co.</b>	<b>Holding Co.</b>	<b>Fellow Sub. Co.</b>
Wind Energy Purchase	3555978		3021292	
Processing Charges Receipt	27824032	496829	23396188	784000
Processing Charges Payment	8566803		44657682	
Amount Outstanding as at year end - Dr	-		-	
Amount Outstanding as at year end - Cr	15314928		67713819	
Provision for Doubtful Debts / Write Backs / Write Off			Nil	

## Suprem Textiles Processing Limited

11	Particulars regarding investments in Partnership Firm		Capital Contribution Rs. Lacs	Sharing Ratio %
	Name of the Firm	Suprem Associates		
	Name of the Partners	Precot Meridian Ltd	9.9	99.0
		Suprem Textiles Processing Ltd.	0.1	1.0
			<u>10.0</u>	<u>100.0</u>
			<b>31.3.2007</b>	<b>31.3.2006</b>
12	<b>Consumption</b>		<b>Rs.</b>	<b>Rs.</b>
	<b>Raw Mateial - 100% Indigeneous</b>		<b>6601333</b>	45694386
	<b>Stores - 100%Indigeneous</b>		<b>2088784</b>	2619942
13	<b>Quantity details</b>			
	<b>Finished Goods Yarn</b>			
	Opening stock	Kgs.Lacs	-	0.44
		Rs.Lacs	-	74.82
	Production	Kgs.Lacs	<b>0.84</b>	4.55
	Sales	Kgs.Lacs	<b>0.84</b>	4.99
		Rs.Lacs	<b>168.59</b>	952.09
	Closing Stock	Kgs.Lacs	-	-
		Rs.Lacs	-	-
	<b>Waste Stock</b>			
	Opening stock	Kgs.Lacs	-	0.01
		Rs.Lacs	-	0.60
	Production	Kgs.Lacs	<b>0.01</b>	0.26
	Sales	Kgs.Lacs	<b>0.01</b>	0.27
		Rs.Lacs	<b>0.16</b>	4.35
	Closing Stock	Kgs.Lacs	-	-
		Rs.Lacs	-	-

As per our report of even date attached  
For Suri & Co.,  
Chartered Accountants  
**C S Sathyanarayanan**  
Partner (M No. 028328)  
Coimbatore, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Suprem Textiles Processing Limited

### Cash Flow Statement

	31.03.2007 Rs.	31.03.2006 Rs.
<b>A. Cash flow from operating activities</b>		
Net profit before tax and extraordinary items	(66007)	274534
Adjustment for:		
Depreciation	1540031	1531684
Loss on sale of assets	78597	-
Investment income - dividend	(210000)	(210000)
	<u>1342621</u>	<u>1321684</u>
	<b>1408628</b>	<b>1596218</b>
<b>Operating profit before working capital changes</b>		
Adjustments for:		
Trade receivables	242038	7570587
Other receivables	1548130	182733
Inventories	(49649)	15109744
Trade payables	(3690820)	(30580098)
	<u>(1950301)</u>	<u>(7717034)</u>
<b>Net cash flow from operating activities</b>	<b>(607680)</b>	<b>(6120816)</b>
<b>B. Cash flow from investing activities:-</b>		
Purchase of fixed assets	-	(124500)
Sale of fixed assets	121189	-
Dividend received	210000	210000
<b>Net cash flow from investing activities</b>	<b>331189</b>	<b>85500</b>
<b>C. Cash flow from financing activities:-</b>		
<b>Net cash flow from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and Cash equivalent</b>	<b>(276491)</b>	<b>(6035316)</b>
Cash and cash equivalents as at 1.4.2006		
And 1.4.2005 (opening balance)	<b>399973</b>	6435289
Cash and cash equivalents as at 31.03.2007		
And 31.3.2006 (closing balance)	<u><b>123482</b></u>	<u><b>399973</b></u>

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I Registration Details</b>			
Registration No.	1834	State Code	18
Balance Sheet Date	31.03.2007		
<b>II Capital Raised during the year (Amount in Rs Thousands)</b>			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)</b>			
Total Liabilities	10000	Total Assets	10000
<b>Sources of Funds</b>			
Paid-up Capital	1000	Reserves & Surplus	NIL
Secured Loans	Nil	Unsecured Loans	NIL
<b>Application Funds</b>			
Net Fixed Assets	11866	Investments	198
Net Current Assets	(3482)	Misc. Expenditure	1418
Accumalated Losses	NIL		
<b>IV Performance of Company(Amount in Rs Thousands)</b>			
Total Income	45810	Total Expenditure	45876
Profit Before Tax	(66)	Profit After Tax	(66)
Earnings Per Share	(0.66)	Dividend %	NIL
<b>V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b>			
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, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

We 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 **31<sup>st</sup> March 2007** (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we 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. 29<sup>th</sup> June 2006
  2. 18<sup>th</sup> August 2006
  3. 24<sup>th</sup> November 2006
  4. 30<sup>th</sup> January 2007
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 **31<sup>st</sup> March 2006** was held on **9<sup>th</sup> August 2006** 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. **One** Extra Ordinary General Meeting was held during the financial year on **28<sup>th</sup> March 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.
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 has
  - i. not made any allotment/transfer or transmissions of securities during the financial year.
  - ii. not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii. not paid/posted warrants to any member of the company as no dividend was declared during the financial year
  - iv. 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. duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There were no appointments of directors, additional directors, alternate directors and 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 Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended 31<sup>st</sup> March 2007

Sl. 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)		A13925508 26.04.2007	Yes	Not applicable
2 Form 23AC	220	Balance sheet and profit & loss account for the year ended 31.03.2006	A03640109 02.09.2006	Yes	Not applicable
3 Form 62	383A	Compliance Certificate for the year ended 31.03.2006	A03640158 02.09.2006	Yes	Not applicable
4 Form 20B	159	Annual Return for the AGM 09.08.2006	P00091033 05.10.2006	Yes	Not applicable
5 Din 3	266E & Com (DIN) Rules 2006	For intimation of DIN to ROC	A06654859 05.12.2006	Not applicable	Not applicable

Coimbatore  
14th June, 2007

For G.V. and Associates  
**G Vasudevan**  
Proprietor  
Company Secretary  
C.P. No : 6522 (ACS No. 18537)

We have audited the attached Balance Sheet of Suprem Textile Processing Limited, Coimbatore, as at 31<sup>st</sup> March, 2007 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 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 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, 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 31<sup>st</sup> March 2007;
  - 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 Suprem Textile Processing Limited, Coimbatore.**

- 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 any 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. 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.
4. 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.
5. 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.
- 6 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.
7. The company has an internal audit system commensurate with its size and the nature of its business
- 8 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 31.03.2007, for a period of more than six months from the date they became payable.
- b. The details of disputed statutory due is given below :  
(Rs. In Lacs)

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

9. The accumulated losses of the company as at 31.03.2007 are less than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit. The company has not any cash losses in the immediately preceding financial year.
10. According to the information and the explanations 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.
11. According to the information and the explanations 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.
12. The other clauses of the Order are not applicable to the company.

Coimbatore  
14th June, 2007

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

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## **Multiflora Processing (Coimbatore) Limited**

Subsidiary of Precot Meridian Limited

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<b>Board of Directors</b>	D Sarath Chandran A Ramkrishna P Sai Prakash
<b>Auditors</b>	M/s Suri & Co, Chartered Accountants
<b>Registered Office</b>	SUPREM, P B 7161, 737, Green Fields Puliakulam Road, Coimbatore 641 045

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### **Directors' Report**

The Directors have pleasure in submitting their 13<sup>th</sup> Annual Report and the Accounts of the Company for the year ended 31st March, 2007. During the year under review the Company has made a Profit of Rs. 133280.

#### **Directors**

Mr P Sai Prakash 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.

#### **Foreign Exchange Earnings and outgo**

The Company did not have foreign exchange earnings or outgo 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 :

1. The applicable Accounting Standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
2. The Company has adopted prudent accounting policies.
3. Proper care has been taken for maintenance of accounting records in accordance with provisions of the Act; and
4. 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.

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Coimbatore  
14th June, 2007

By Order of the Board  
**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Multiflora Processing (Coimbatore) Limited

### Balance Sheet

	Sch No	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>Sources of funds</b>			
<b>Shareholders' Funds</b>		<b>2500000</b>	2500000
<b>Share Capital :</b>			
Authorised, Issued, Subscribed & Paid Up 2,50,000 Equity Shares of Rs.10/- each			
<b>Reserves and Surplus</b>			
Profit & Loss A/c		<b>596944</b>	463664
<b>Total Funds Employed</b>		<b>3096944</b>	2963664
<b>Application of funds</b>			
<b>Current Assets, Loans &amp; Advances</b>	1		
Inventories		-	1651788
Sundry Debtors		-	1002854
Bank Balances		<b>80230</b>	2771971
Loans & Advances		<b>3588287</b>	912214
		<b>3668517</b>	6338827
<b>Less : Current Liabilities &amp; Provisions</b>	2	<b>571573</b>	3375163
Net Current Assets		<b>3096944</b>	2963664
<b>Total Funds Deployed</b>		<b>3096944</b>	2963664

Schedules 1 & 2 ,Significant accounting policies and notes forming part of accounts form part of this Balance Sheet

### Profit and Loss Account

	Sch No	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>Income</b>			
Sales - Domestic		<b>15191000</b>	39029240
Other Income		<b>49167</b>	100686
<b>Total</b>		<b>15240167</b>	39129926
<b>Expenditure</b>			
Raw Materials		<b>11334694</b>	27444152
Stores		<b>552016</b>	448604
Processing Charges		<b>2545241</b>	10060502
Selling Expenses	3	<b>552185</b>	716657
Other Expenses	4	<b>13197</b>	17383
Auditors' Remuneration	5	<b>9262</b>	9250
Interest and finance charges	6	<b>18292</b>	28420
Preliminary expenses written off		-	1827
<b>Total</b>		<b>15024887</b>	38726795
<b>Profit / (Loss) for the year</b>		<b>215280</b>	403131
Less: Provision for Taxation		<b>82000</b>	165000
<b>Net Profit</b>		<b>133280</b>	238131
Add : Balance brought forward		<b>463664</b>	225533
<b>Profit available for appropriation</b>		<b>596944</b>	463664
<b>Appropriation</b>			
Balance Carried Forward		<b>596944</b>	463664
Earnings per Share (Face Value per share Rs. 10) (Refer Note no B 1)		<b>0.53</b>	0.95
Note: The Directors have waived their sitting fees			

Schedule 3 to 6, Significant accounting policies and notes forming part of accounts form part of this Profit & loss account

As per our report of even date attached  
For Suri & Co.,  
Chartered Accountants  
**C S Sathyanarayanan**  
Partner (M No. 028328)  
Coimbatore, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

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

<b>Schedule 1 - Current Assets, Loans &amp; Advances</b>	<b>31.03.2007</b>	<b>31.03.2006</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>A. Current Assets</b>		
<b>Inventories</b> - At lower of cost and net realisable value.(As valued and certified by Management)		
Raw Materials	-	410842
Work in Process	-	320645
Waste	-	920301
	-	1651788
<b>Sundry Debtors</b>		
Unsecured and considered good		
Outstanding for a period exceeding six months	-	-
Other Debts	-	1002854
	-	1002854
<b>Cash and Bank Balances</b>		
In Current Account	80230	2771971
	80230	2771971
<b>B. Loans and Advances</b>		
Unsecured, considered good recoverable in cash or in kind or for value to be received:		
Tax payment pending adjustments	330706	178661
Advance others	3257581	733553
	3588287	912213
<b>Schedule 2 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors	171573	3057163
<b>Provisions</b>		
Provision for Taxation	400000	318000
	571573	3375163
<b>Schedule 3 - Selling Expenses</b>		
Yarn brokerage and commission	229040	239566
Yarn selling expenses	323145	477091
	552185	716657
<b>Schedule 4 - Other Expenses</b>		
Taxes & Licence	706	4624
Professional charges	6061	6102
Miscellaneous Expenditure	6430	6657
	13197	17383
<b>Schedule 5 - Auditor's Remuneration</b>		
Statutory Audit - Including service tax	6742	6742
Certification Fees	1403	1378
Other expenses	1117	1130
	9262	9250
<b>Schedule 6 - Interest and finance charges</b>		
Bank Charges , Commission etc.	18292	28420
	18292	28420

## Multiflora Processing (Coimbatore) 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. 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:-
- Raw Materials, Stores and Spares : Weighted average basis.
  - Finished Goods and Goods-In-Process : Cost of Direct Material Labour and other manufacturing overheads.

##### 3. 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 despatch of goods
- c) Domestic sales as reported in the profit and loss account are exclusive of tax/duties, if any, and trade discounts.

##### 4. 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>31.03.2007</b>	31.03.2006
<b>B Other notes on accounts</b>		
1 Earnings Per Share	<b>Rs.</b>	Rs.
a) Net Profit available for Equity Shareholders (A)	<b>133280</b>	238131
b) Weighted Average number of equity shares (B)	<b>250000</b>	250000
c) Basic and Diluted Earnings per Share (A)/(B)	<b>0.53</b>	0.95
d) Face Value per Share	<b>10</b>	10
2 Figures for the previous year have been regrouped / reclassified wherever necessary to confirm to current year's classification.		
3 There are no earnings or expenditure in Foreign Currency.		
4 The company operates in one primary segment, viz, Textiles.,		
5 Amounts due to SSI units : Nil.		
6 The Company has opted out of levy of excise duty payment from July 2004		
7 Auditor's Remuneration as under		
i) Statutory Audit	<b>6000</b>	6000
Service Tax thereon	<b>742</b>	742
ii) Tax Audit	-	-
iii) Certification and Other Services	<b>1403</b>	1378
iv) Reimbursement of expenses	<b>1117</b>	1130
	<b>9262</b>	9250
8 Related Party Disclosure - Related Parties : Holding Co. : Precot Meridian Ltd, Fellow Sub. Co. : Suprem Textiles Processing Ltd.		

Nature of Transaction	2006-07		2005-06	
	Holding Co.	Fellow Sub. Co.	Holding Co.	Fellow Sub.Co.
Processing Charges Payment	2048412	496829	8823661	784000
Amount Outstanding as at year end - Dr	3241179	-	-	-
Amount Outstanding as at year end - Cr	-	-	18903	-
Provision for Doubtful Debts / Write Backs / Write Off		Nil		
9 <b>Consumptions</b> <b>Raw materials - 100% Indigeneous (Rs.)</b>			<b>31.03.2007</b>	31.03.2006
			11334694	27444152
10 <b>Quantity Particulars for 2006-07</b> <b>Finished Goods</b>				
Opening		Kgs.Lacs	-	-
		Rs.Lacs	-	-
Production		Kgs.Lacs	<b>2.76</b>	7.30
Sales		Kgs.Lacs	<b>2.76</b>	7.30
		Rs.Lacs	<b>151.91</b>	390.29
Closing Stock		Kgs.Lacs	-	-
		Rs.Lacs	-	-

## Multiflora Processing (Coimbatore) Limited

### Cash Flow Statement

	31.03.2007 Rs.	31.03.2006 Rs.
<b>A. Cash flow from operating activities</b>		
<b>Net profit before tax and extraordinary items</b>	<b>215280</b>	403131
Adjustments for:		
Preliminary expenses written off	-	1827
<b>Operating profit before working capital changes</b>	<b>215280</b>	404958
Adjustments for:		
Trade receivables	<b>1002854</b>	(392547)
Other receivables	<b>(2676074)</b>	(275450)
Inventories	<b>1651788</b>	2713835
Trade payables	<b>(2885589)</b>	(1827546)
<b>Net cash flow from operating activities</b>	<b>(2691741)</b>	623250
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and Cash equivalent</b>	<b>(2691741)</b>	623250
Cash and cash equivalents as at 1.4.2006 And 1.4.2005 (opening balance)	<b>2771971</b>	2148721
Cash and cash equivalents as at 31.03.2007 And 31.3.2006 (closing balance)	<b>80230</b>	2771971

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I Registration Details</b>			
Registration No.	8923	State Code	18
Balance Sheet Date	31.03.2007		
<b>II Capital Raised during the year (Amount in Rs Thousands)</b>			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)</b>			
Total Liabilities	3097	Total Assets	3097
<b>Sources of Funds</b>			
Paid-up Capital	2500	Reserves & Surplus	597
Secured Loans	NIL	Unsecured Loans	NIL
<b>Application Funds</b>			
Net Fixed Assets	NIL	Investments	NIL
Net Current Assets	3097	Misc. Expenditure	NIL
Accumalated Losses	NIL		
<b>IV Performance of Company(Amount in Rs Thousands)</b>			
Total Income	15240	Total Expenditure	15025
Profit Before Tax	215	Profit After Tax	133
Earnings Per Share	0.53	Dividend %	NIL
<b>V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b>			
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, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Multiflora Processing (Coimbatore) Limited

## Compliance Certificate

We 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 **31<sup>st</sup> March 2007** (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we 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. 29 <sup>th</sup> of June 2006	2. 18 <sup>th</sup> of August 2006
3. 24 <sup>th</sup> of November 2006	4. 30 <sup>th</sup> of January, 2007
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 **31<sup>st</sup> March 2006** was held on **9<sup>th</sup> August 2006** 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 has
  - i. Delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Act. However there was no allotment or transmission of securities during the year under review.
  - ii. not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii. not paid/posted warrants to any member of the company as no dividend was declared during the financial year
  - iv. 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. duly complied with the requirements of section 217 of the Act
14. The Board of Directors of the Company is duly constituted. There were no appointments of directors, additional directors, alternate directors and 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 31<sup>st</sup> March 2007

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 20B	159	Annual Return made upto	P00091371 05.10.2006	Yes	Not applicable
2	Form 23AC & 23ACA	220	Balance Sheet as at 31.03.2006	A03639630 02.09.2006	Yes	Not applicable
3	Form 66	383A	Compliance Certificate for the year ended 31.03.2006	A03639713 02.09.2006	Yes	Not applicable
4	Din 3	266E & Com (DIN) Rules 2006	For intimation of DIN to ROC	A06527634 01.12.2006	Not applicable	Not applicable

Coimbatore  
14th June, 2007

For G.V. and Associates  
**G Vasudevan**  
Proprietor  
Company Secretary  
C.P. No : 6522 (ACS No. 18537)

## Multiflora Processing (Coimbatore) Limited

## Auditor's Report

We have audited the attached Balance Sheet of Multiflora Processing (Coimbatore) Limited, Coimbatore, as at 31<sup>st</sup> March 2007 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 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, 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 31<sup>st</sup> March 2007;
  - 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 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.
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 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.
- 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, Cess and other statutory dues applicable to it. The following amount of statutory due was in arrears, as at 31<sup>st</sup> march 2007, for a period of more than six months from the date it became payable.

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

- b. There are no dues of sales tax, income-tax, customs duty or cess, which have not been deposited on account of any dispute.
7. The company does not have any accumulated losses as at 31.03.07. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
8. According to the information and the explanations 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 explanations 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.

Coimbatore  
14th June, 2007

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

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**Precot Spintex Limited**  
Subsidiary of Precot Meridian Limited

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<b>Board of Directors</b>	D Sarath Chandran A Ramkrishna P Sai Prakash
<b>Auditors</b>	M/s Suri & Co, Chartered Accountants
<b>Registered Office</b>	SUPREM, P B 7161, 737, Green Fields Puliakulam Road, Coimbatore 641 045

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**Directors' Report**

Your Directors present herewith the 5<sup>th</sup> Annual Report together with the audited accounts for the year ended 31st March, 2007. During the year under review the Company has incurred a loss of Rs. 5056.

**Directors**

Mr P Sai Prakash 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.

**Foreign Exchange Earnings and outgo**

The Company did not have foreign exchange earnings or outgo 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 :

1. The applicable Accounting Standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
2. The Company has adopted prudent accounting policies.
3. Proper care has been taken for maintenance of accounting records in accordance with provisions of the Act; and
4. The annual accounts of the Company have been prepared on a going concern basis.

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Coimbatore  
14th June, 2007

By Order of the Board  
**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Precot Spintex Limited

### Balance Sheet

	Sch No	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>Source of Funds</b>			
<b>Shareholders' Funds</b>			
<b>Share Capital</b>			
Authorised, Issued, Subscribed and paid up			
5000 Equity shares of Rs.100/- each		<b>500000</b>	500000
<b>Total Funds Employed</b>		<b>500000</b>	500000
<b>Application of Funds</b>			
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	1	-	8900250
Sundry Debtors		-	8892145
Cash and Bank Balance		<b>115388</b>	6921974
Loans & Advances		<b>104539</b>	109658
		<b>219927</b>	24824027
<b>Less : Current Liabilities and provisions</b>			
Net Current Assets	2	<b>(2051851)</b>	(2046795)
Debit balance in Profit and Loss Account		<b>2551851</b>	2546795
<b>Total Funds Deployed</b>		<b>500000</b>	500000

Schedules 1 & 2, Significant accounting policies and notes forming part of 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)  
Coimbatore, 14th June, 2007

### Profit and Loss Account

	Sch No	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>Income</b>			
Sales - Domestic		<b>108432653</b>	92165521
Other Income		<b>53623</b>	-
		<b>108486276</b>	92165521
<b>Expenditure</b>			
Raw Materials		<b>46936980</b>	35915861
Packing Materials & Stores		<b>4727308</b>	3839286
Processing Charges		<b>53821492</b>	47944552
Selling Expenses	3	<b>2920150</b>	4320607
Administrative Expenses	4	<b>61071</b>	7002
Auditor's Remuneration	5	<b>16966</b>	15509
Interest and finance charges	6	<b>7365</b>	5432
		<b>108491332</b>	92048249
<b>Profit / ( Loss ) for the year</b>		<b>(5056)</b>	117272
Less : Provision for taxation		-	10500
<b>Net Profit / ( Loss ) After Tax</b>		<b>(5056)</b>	106772
Add : Balance brought forward		<b>(2546795)</b>	(2653567)
<b>Balance Carried Forward to Balance Sheet</b>		<b>(2551851)</b>	(2546795)
Earnings Per Share (Refer note no B1)		<b>(1.01)</b>	21.35
Face value per share 100/-			

Note: The Directors have waived their sitting fees

Schedule 3 to 6, Significant accounting policies and notes forming part of accounts form part of this Profit & loss account

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

**Precot Spintex Limited****Schedules Annexed to the Accounts**

<b>Schedule 1 - Current Assets, Loans and Advances</b>	<b>31.03.2007</b>	<b>31.03.2006</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>A. Current Assets</b>		
<b>Inventories</b> :At Lower of cost and estimated net realisable value. (As valued and certified by Management)		
Raw Materials		838896
Process Stock	-	7141338
Finished Goods	-	446818
Waste Stock	-	89148
Stores Stock	-	384050
	<u>-</u>	<u>8900250</u>
<b>Sundry Debtors</b>		
Unsecured and considered Good		
Outstanding for a period exceeding six months		
Other Debts	-	8892145
	<u>-</u>	<u>8892145</u>
<b>Cash and Bank balance</b>		
In Current Account	115388	6921974
	<u>115388</u>	<u>6921974</u>
<b>B. Loans &amp; Advances</b>		
Unsecured , considered good recoverable in cash or in kind or for value to be received		
Tax payments pending adjustments	84408	73351
Advance with Excise authorities	131	16307
Advance to Others	20000	20000
	<u>104539</u>	<u>109658</u>
<b>Schedule 2 - Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry creditors	2184278	26783322
<b>Provisions</b>		
Provision for Taxation	87500	87500
	<u>2271778</u>	<u>26870822</u>
<b>Schedule 3- Selling Expenses</b>		
Yarn Brokerage & commission	1306432	1159664
Transport Charges from Mills to depot	762618	569627
Yarn Selling expenses	851100	2591316
	<u>2920150</u>	<u>4320607</u>
<b>Schedule 4 - Administrative Expenditure</b>		
Postage, Telephone and Printing & stationery	-	825
Taxes & Licence	5028	5300
Others	56043	877
	<u>61071</u>	<u>7002</u>
<b>Schedule 5 - Auditor's Remuneration</b>		
Statutory Audit - Including Service Tax	6742	6734
Tax Audit	8979	7275
Other Expenses	1245	1500
	<u>16966</u>	<u>15509</u>
<b>Schedule 6 - Interest and finance charges</b>		
Bank Charges & Commission etc.,	7365	5432
	<u>7365</u>	<u>5432</u>

## Precot Spintex 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. 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:-
- Raw Materials, Packing materials and Stores and Spares : Weighted average basis.
  - Finished Goods and Goods-In-Process : Cost of Direct Material Labour and other manufacturing overheads.

##### 3. 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 despatch of goods.
- c) Domestic sales as reported in profit and loss account are exclusive of tax/duties, if any, and trade discounts.

##### 4. 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 on accounts

	31.03.2007	31.03.2006
	Rs.	Rs.
1 Earning Per Share		
a) Net Profit available for Equity Shareholders (A)	(5056)	106772
b) Weighted Average number of equity shares (B)	5000	5000
c) Basic and Diluted Earnings per Share (A)/(B)	(1.01)	21.35
d) Face Value of Share	100	100

2 There are no earnings or expenditure in Foreign Currency.

3 The company operates in one primary segment, viz, Textiles.,

4 Auditor's Remuneration as under

i) Statutory Audit	6000	6000
Service Tax thereon	742	734
ii) Tax Audit	8979	7275
iii) Certification and Other Services	-	-
iv) Reimbursement of expenses	1245	1500
	<u>16966</u>	<u>15509</u>

##### 5 Related parties disclosures

Related Parties : Holding Co. : Precot Meridian Ltd,

Nature of Transaction	2006-07	2005-06
	Holding Co.	Holding Co.
Processing Charges Payment	53821492	47944552
Amt Outstanding as at yr end - Dr	-	-
Amt Outstanding as at yr end - Cr	1874943	132704440
Provision for Doubtful Debts / Write Backs / Write Off	-	Nil

6 Amounts due to SSI units : Nil.

7 The Company has opted out of levy of Excise Duty Payment from July 2004

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

9 Consumptions	31.03.2007	31.03.2006
	Rs.	Rs.
Raw Material - 100% Indg	46936980	35915861
Stores - 100% Indg	4727308	3839286

##### 10 Quantity details

###### Finished Goods Yarn

Opening stock	Kgs.Lacs	0.03	-
	Rs.Lacs	4.47	-
Production	Kgs.Lacs	5.48	4.75
Sales	Kgs.Lacs	5.51	4.72
	Rs.Lacs	1084.33	921.66
Closing Stock	Kgs.Lacs	-	0.03
	Rs.Lacs	-	4.47

###### Waste Stock

Opening stock	Kgs.Lacs	0.04	-
	Rs.Lacs	0.89	-
Production	Kgs.Lacs	0.22	0.09
Sales	Kgs.Lacs	0.26	0.05
	Rs.Lacs	5.24	1.02
Closing Stock	Kgs.Lacs	-	0.04
	Rs.Lacs	-	0.89

As per our report of even date attached

For Suri & Co.,  
Chartered Accountants  
**C S Sathyanarayanan**  
Partner (M No. 028328)  
Coimbatore, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
Directors

## Precot Spintex Limited

### Cash Flow Statement

	31.03.2007 Rs.	31.03.2006 Rs.
<b>A. Cash flow from operating activities</b>		
Net profit before tax and extraordinary items	(5056)	117272
Adjustments for:		
Trade receivables	8892145	(8837849)
Other receivables	5119	7072997
Inventories	8900250	(8900250)
Trade payables	(24599044)	17462686
<b>Net cash flow from operating activities</b>	<b>(6801530)</b>	<b>6797584</b>
	<b>(6806586)</b>	<b>6914856</b>
<b>B. cash flow from investing activities:-</b>	-	-
<b>C. Cash flow from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and Cash equivalent</b>	<b>(6806586)</b>	<b>6914856</b>
Cash and cash equivalents as at 1.4.2006		
And 1.4.2005 (opening balance)	<b>6921974</b>	7118
Cash and cash equivalents as at 31.03.2007		
And 31.3.2006 (closing balance)	<b>115388</b>	<b>6921974</b>

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I Registration Details</b>			
Registration No.	10408	State Code	18
Balance Sheet Date	31.03.2007		
<b>II Capital Raised during the year (Amount in Rs Thousands)</b>			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)</b>			
Total Liabilities	500	Total Assets	500
<b>Sources of Funds</b>			
Paid-up Capital	500	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
<b>Application Funds</b>			
Net Fixed Assets	NIL	Investments	NIL
Net Current Assets	(2052)	Misc. Expenditure	2552
Accumulated Losses	NIL		
<b>IV Performance of Company(Amount in Rs Thousands)</b>			
Total Income	108486	Total Expenditure	108491
Profit Before Tax	(5)	Profit After Tax	(5)
Earnings Per Share	(1.01)	Dividend %	NIL
<b>V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b>			
Item Code No. (ITC Code)		Major Product Description	
5205.11		Cotton Yarn	

As per our report of even date attached  
 For Suri & Co.,  
 Chartered Accountants  
**C S Sathyanarayanan**  
 Partner (M No. 028328)  
 Coimbatore, 14th June, 2007

**D Sarath Chandran**  
**A Ramkrishna**  
 Directors

We have audited the attached Balance Sheet of Precot Spintex Limited, Coimbatore, as at 31<sup>st</sup> March 2007 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 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, 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 31<sup>st</sup> March 2007;
  - 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 Precot Spintex Limited, Coimbatore.**

- 1 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.
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 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.
- 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 explanations 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, cess and other statutory dues applicable to it. No undisputed amounts payable in respect of the above statutory dues were in arrears, as on 31.03.2007, 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.
7. The accumulated losses of the company as at 31.03.07 are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit. The company has not incurred any cash losses in the immediately preceding financial year.
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.

Coimbatore  
14th June, 2007

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

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**Benwood Corporation Sdn Bhd**  
(Incorporated in Malaysia)  
Subsidiary of Precot Meridian Limited

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

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**Directors' Report**

**Directors report for the financial year ended 31st December 2006**

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2006.

**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.

<b>Financial Results</b>	<b>2006 Rs Lacs</b>	<b>2005 Rs Lacs</b>
<b>Net Profit Before Taxation</b>	<b>35.40</b>	<b>55.75</b>
<b>Taxation</b>	<b>(6.32)</b>	<b>(11.29)</b>
<b>Net Profit After Taxation</b>	<b>29.07</b>	<b>44.46</b>

**Dividends**

A final dividend at 30% less income tax at 28%, amounting to Rs. 7.7 lacs in respect of the financial year ended 31 December 2005 was paid by the Company during the current financial year.

The directors also recommend a final proposed dividend at 15% less income tax at 28%, amounting to Rs. 6.71 Lacs in respect of the financial year ended 31 December 2006, 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.

**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 realise 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 realise.

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:

- (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.

## Benwood Corporation Sdn Bhd

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 2006 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

During the financial year, the issued and paid up share capital of the Company was increased from RM 300,000/- to RM 500,000/- by the allotment of 200,000 ordinary shares of RM 1.00 each as bonus issue on 31 July 2006.

The bonus issue was allotted on the basis of 2 ordinary shares for every 3 existing ordinary shares held as at 30 June 2006.

The newly issued ordinary shares rank pari passu with the existing ordinary shares of the Company.

The Company has not issued any debentures 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  
Ananthnarayan Ramkrishna  
Damotharan Sarath Chandran  
Palati Sai Prakash  
Toh Bee Hong (f)

### 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 1-1-2006	Acquired	Disposed	At 31-12-2006
Subramanian a/l Ramaiya	-	-	-	-
Ananthnarayan Ramkrishna	-	-	-	-
Damotharan Sarath Chandran Deemed interest*	300,000	200,000	-	500,000
Palati Sai Prakash	-	-	-	-
Toh Bee Hong (f)	-	-	-	-

\*Deemed Interest held through Precot Meridian Limited.

In accordance with the Company's Articles of Association, Mr Subramaniam A/L Ramaiya and Madam Toh Bee Hong shall retire by rotation from the Board at the forthcoming Annual General Meeting of the Company, and being eligible, offer themselves for re-election.

### Ultimate Holding Company

The Directors regard PRECOT MERIDIAN LIMITED (formerly known as PRECOT MILLS 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.

Batu Pahat Johor  
19th March, 2007

**A Ramkrishna  
Subramaniam**  
Directors

## Benwood Corporation Sdn Bhd

### Report of the auditors to the members

We have audited the financial statements set out herein. The financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Malaysian Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing issued in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting policies used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a. The financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Malaysian Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give true and fair view of:
  - i. the matters required by Section 169 of the Malaysian Companies Act, 1965 to be dealt with in the financial statements of the Company; and
  - ii. the state of affairs of the Company at 31st December, 2006 and of the results of the operations and of the cash flows of the Company for the financial year ended on that date; and
- b. the accounting and other records and the registers required by the Malaysian Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.

For Lee & Tan Associates  
(AF 0752)  
Tan Chee Huat  
Chartered Accountants  
19<sup>th</sup> March 2007

Jalan Setia Jaya  
3A, Taman Setia Jaya,  
Off Jalan Tan Swee Hoe,  
830000 Batu Pahat,  
Johar Darul Takzim

### Balance Sheet as at 31st December, 2006

	Rs	Rs
	31.12.2006	31.12.2005
<b>Property, plant and equipment</b>	<b>588410</b>	591155
<b>Current Assets</b>		
Inventories	17030858	16317527
Trade Receivables	20625197	20509805
Other Receivables and Deposits	159573	526433
Fixed Deposits at Bank	17897658	12847674
Tax Recoverable	362132	254628
Cash and Bank Balances	12771196	16199246
	<u>68846614</u>	<u>66655313</u>
<b>Current liabilities</b>		
Trade & Bills Payables	9067022	3977239
Other Payables & Accruals	445082	1165032
Amount Owing to the Holding company	16882801	-
Amount Owing to Related Companies	-	23237728
Tax payable	58929	-
	<u>26453834</u>	<u>28379999</u>
<b>Net current assets</b>	<u>42392780</u>	<u>38275314</u>
	<u>42981190</u>	<u>38866469</u>
Financed by :		
Share Capital	6273000	3575400
Accumulated Profits	36654242	35213602
Shareholders Equity	<u>42927242</u>	<u>38789002</u>
<b>Deferred liabilities</b>		
Deferred taxation	53948	77467
	<u>42981190</u>	<u>38866469</u>

### Income Statement for the Financial Year Ended 31st December, 2006

	Rs	Rs
	31.12.2006	31.12.2005
<b>Operating revenue</b>	<b>116922288</b>	115690361
Cost of sales	(105193852)	(102711225)
<b>Gross profit</b>	<b>11728436</b>	12979136
<b>Other operating incomes</b>		
Bank Interest Received	-	18220
Fixed Deposit Interest Received	532665	428469
Gains/(Loss) on Foreign Exchange	417949	128047
Unrealised Gain in Foreign exchange	429395	-
Overdue Interest	222526	-
	<u>13330971</u>	<u>13553872</u>
Administrative expenses	(2810016)	(3050388)
Selling & distribution costs	(6614202)	(4524060)
Other operating expenses	(134852)	(162502)
Profit from operations	3771901	5816922
Finance cost	(232153)	(242047)
Net profit before taxation	3539748	5574875
Taxation	(632444)	(1128842)
Net profit after taxation	<u>2907304</u>	<u>4446033</u>

#### Note :

1. The figure in RM have been converted to Indian Rupees based on conversion rate prevailing on the 31st Decemebr 06 at RMI = 12.546 (P.Y as at 31st December 05 at RMI = 11.918)
2. Due to variation in the currency rate the previous years figures are not comparable.

**PRECOT MERIDIAN LIMITED**

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

14<sup>th</sup> June 2007

Dear Shareholder,

As a part of your Company's endeavor to improve the services to investors, we are introducing the Electronic Clearing Services (ECS) facility for payment of dividend, from the current financial year. With a view to safeguard our mutual interest, we would strongly recommend that you avail the ECS facility. You would be aware of ECS being offered by the Reserve Bank of India (RBI) in selected cities. ECS facilitates automatic credit of payments to one's Bank Account and eliminates the risk of fraudulent encashment and also the risk of loss in transit of instruments of payment.

Under this arrangement, the payment instructions would be issued electronically through our Bank to the Clearing Authority (RBI) and the Clearing Authority would give credit reports to the Bank with whom you maintain the specified Bank Account. Your Bank in turn will credit to your account, on the due date and indicate the credit entry as "**ECS**" in your Bank Pass Book / Bank Statement. We will be issuing an advice to you directly about the payment to the credit of your account.

The Bankers to the dividend warrant payment offers ECS facilities in the selected cities and it is likely that this facility will be extended to other cities / town in future. If you hold the shares in **dematerialised form**, you may kindly inform your Depository Participant about your ECS particulars / changes in the Bank Account who will be updating these details in NSDL / CDSL system. The updated details in the Depository System will be used by us for remitting your dividend.

If you are holding shares in **physical form** fill up the mandate form attached and send it along with a cancelled cheque leaf or a photocopy of the same attached to it to our Registrar & Share Transfer Agents, M/s Intime Spectrum Registry Ltd, Surya, 35 Mayflower Avenue, Senthil Nagar, Sowripalayam Road, Coimbatore 641 028, Tamil Nadu as early as possible, but not later than **25<sup>th</sup> July 2007**.

Thanking you

Yours truly,  
**G Manikandan**  
Company Secretary



To  
M/s Intime Spectrum Registry Limited, Coimbatore Branch  
Unit : Precot Meridian Limited  
Surya, 35, Mayflower Avenue  
Senthil Nagar, Sowripalayam Road  
Coimbatore 641 028

**Electronic Clearing Service (ECS Mandate Form)**  
**(FOR SHARES HELD IN PHYSICAL FORM)**

1. First Shareholder's Name :
2. Shareholder's Folio No :
3. Particulars of Bank Account :
- a) Bank Name :
- b) Branch Name & Address :

c) Account No :  
(as appearing in your cheque book)

d) Account Type : SB  Current  Cash Credit   
(tick the relevant box)

e) 9 Digit code No. of the Bank & Branch appearing :   
on the MICR cheque issued by the bank

(Please attach the photocopy of a cancelled blank cheque issued by your Bank relating to your above account for verifying the accuracy of the code numbers.)

I, hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Company responsible.

Signature of First Shareholder

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Note:

1. Please send the form to the address mentioned above
2. In case the scheme does not meet with the desired response or due to any other operational reasons it is found to be unviable, the Company reserves the right to pay dividend by issue of warrants.



## Precot Meridian Limited

Regd. Office : SUPREM, P.B. 7161, 737 Green Fields, Puliakulam Road,  
Coimbatore - 641 045.

### ADMISSION SLIP

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

Name and Address

Folio / Client ID

I hereby register my presence at the 45<sup>th</sup> Annual General Meeting of the Company held on Friday, the 10<sup>th</sup> August 2007 at 5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018

Signature of Member / Proxy



## Precot Meridian Limited

Regd. Office : 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 \_\_\_\_\_

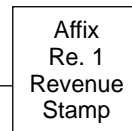
as my / our Proxy to attend and vote for me / us on my / our behalf at the 45th Annual General Meeting of the Company to be held on Friday 10th August, 2007 at 5.00 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

Folio No. / Client ID :

No. of Shares :

Signature \_\_\_\_\_



Notes :

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