

STERLING SPINNERS LTD.



**THIRTEENTH
ANNUAL REPORT
2006 - 2007**

Sterling Spinners Ltd.,

BOARD OF DIRECTORS

1. Mr. K.S. VENUGOPALA
2. Mr. K. ALAGIRISWAMI
2. Mr. R. VIJAYKUMAR

Chairman-Cum-Managing Director
Director
Director

AUDITORS

S. DHANYAKUMAR & CO.,
3, South Boag Road, Thyagaraya Nagar,
Chennai - 600 017.

BANKERS

PUNJAB NATIONAL BANK,
Sowcarpet Branch,
109, Nainiappan Naicken St.,
Sowcarpet, Chennai - 600 003.

REGISTERED OFFICE

New No. 4, (Old No. 377/2), S.N. Street,
Tollgate,
Chennai - 600 081.

SPINNING MILL

Pa Pudupatti (P.O.),
Vedasandur Taluk,
Dindigul - 624 005.

Contents	Page No.
Notice to Shareholders	3
Director's Report	4
Annexure to the Director's Report	7
Auditor's Report	12
Balance Sheet	17
Profit and Loss Account	18
Schedules to Account	19
Cash Flow Statement	29

THIRTEENTH ANNUAL REPORT

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STATEMENT OF ACCOUNTS FOR THE YEAR ENDED

31st March, 2007

13th Annual Report 2006-2007

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Thirteenth Annual General Meeting** of Members of **M/s. STERLING SPINNERS LTD., CHENNAI** will be held at the Registered Office of the Company at New No. 4 (Old No. 377/2) Suryanarayana Street, Chennai-600 081 on **THURSDAY** the **27th SEPTEMBER 2007** at **10.00 A.M.** to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2007 and Profit and Loss Account of the Company for the year ended 31st March, 2007 and the Report of the Auditor's and Director's thereon.

To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions.

2. "RESOLVED that Sri. R. Vijaykumar, Director who retires by rotation and who being eligible offers himself for re-appointment, be and is hereby appointed as Director of the Company who shall be liable to retire by way of rotation".
3. "RESOLVED that M/s.S.Dhanyakumar & Co., Chartered Accountants, Chennai retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the Fourteenth Annual General Meeting of the Company on a remuneration of Rs.20,000/- (Rupees Twenty thousand only)".

"BY ORDER OF THE BOARD"

For **STERLING SPINNERS LTD**
(K.S.VENUGOPALA)
CHAIRMAN-CUM-
MANAGING DIRECTOR

Place : Chennai
Date : 29.06.2007

NOTES:

- A.1. A MEMBER IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form must be lodged at the Registered Office of the Company at least 48 hours before the time of the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from **Saturday the 22nd September, 2007 to Thursday the 27th September, 2007.** (both days inclusive).
4. Nomination facility is available to every shareholder under Section 109 A of the Companies Act, 1956.
- B.1. Members are requested to notify immediately any change in their address, to our Registered Office of the Company New No. 4, (Old No.377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2. Shareholders seeking any information with regard to accounts are requested to write to the Registered Office of the Company at an early date so as to enable the Management to keep the information ready.
3. Members/Proxies should bring the attendance slip for attending the meeting.
4. Shareholders are requested to bring the copy of the Annual Report for the meeting.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

1. OPERATING RESULTS:

	Current Year	Previous Year
	(Rs. in lakhs)	
Net Sales / Income from Operations	361.77	370.21
Other Income	1091.95	20.36
	<u>1453.72</u>	<u>390.57</u>
Total Expenditure	442.58	382.87
Interest	229.97	301.17
Gross Profit/(Loss) after Interest but before Depreciation and Taxation	781.17	(293.47)
Depreciation	75.66	75.66
Provision for Fringe Benefit Tax	0.28	0.09
Net Profit/(Loss)	705.23	(369.22)

Your Directors wish to inform that the Company has achieved a Turnover of Rs.361.77 lakhs in the Current Year as against Rs.370.21 Lakhs turnover of previous year. Your Directors report that the Net Profit for the Company for the year under report is Rs.705.51 lakhs as against Loss of Rs.369.13 Lakhs of previous year. While taking account of waiver off Interest of Rs. 547.08 lakhs obtained from M/s. PNB and Rs. 353.94 lakhs of TIIC an account of One Time Settlement.

2. DIVIDEND:

The Directors do not recommend any dividend for the year under review.

3. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri. R. Vijaykumar, Director will retire by rotation and being eligible offers himself for re-appointment.

4. AUDITORS' OBSERVATION ON ACCOUNTS:

- a) In respect of qualification made by Auditors under Clause 4 (a) (i) of Auditor's Report, the Company has made a reference before BIFR on 28.05.2001 and the Company has been declared as Sick Industrial Company by the BIFR on 6.5.2003. The rehabilitation package is yet to be approved. The accounts have been prepared on a going concern basis since the Company is running the business inspite of sickness of the Company.
- b) In respect of Qualification made by Auditors under Clause 4 (a) (ii) of Auditors Report. The comments are self explanatory Further the Company is taking steps to reach One time settlement with M/s. SIPCOT.
- c) In respect of qualification made by the Auditors under Clause 4 (a) (iii), the Company will take steps to obtain remaining confirmation letters for balances of Loans and Advances, Sundry Debtors and Sundry Creditors.

13th Annual Report 2006-2007

d) In respect of comments made by the Auditors under clause ix (c), (x) and (xi) of the Annexure to the Auditor's Report, no explanation has been offered since the same are self-explanatory.

5. **AUDIT COMMITTEE:** An Audit Committee of the Board of Directors has been constituted as per Section 292A of the Companies Act, 1956. The Committee comprises of Sri.R. Vijaykumar, Director, Sri. K. Alagiriswami, Director and Sri. K.S. Venugopala, Chairman-cum-Managing Director with Sri.R.Vijaykumar as its Chairman.

The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

6. **SHAREHOLDERS / INVESTORS' GRIEVANCES COMMITTEE :** The Shareholders / Investors' Grievances Committee was constituted with Mr. K. Alagiriswami as Chairman, Mr. R. Vijaykumar as Member and Mr. K.S. Venugopala as Member and Compliance Officer.

The Scope of the Committee is to look into the Shareholders/Investors' Complaints / Grievances relating to transfer of shares, non-receipt of Balance Sheet and issue of Duplicate Share Certificates. In addition, the Board shall also from time to time to provide requisite guidelines / scope of work for the Grievance Committee and the Committee will discharge such other functions as are required under the provisions of the Listing Agreement and Companies Act, 1956.

The Committee met twice during the year under review - on 28th July, 2006 and 30th January, 2007 to review the status of complaints from the Shareholders/investors and the redressal measures taken by the Company.

The following table shows the nature of complaints received from the Shareholders during the year 2006-2007.

<u>Nature of Complaints</u>	<u>No. of Complaints</u>
Non-receipt of shares sent for transfer/transmission	-
Non-receipt of Balance Sheet	--
Others	-
Total	Nil

The above shows that complaints received were 'Nil' and Pending Complaints were 'Nil'

Both the above meetings were attended by all the members of the Grievance Committee.

7. **MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE:** A report on Management Discussion and Analysis and a Status report on the compliance of Corporate Governance are annexed and form part of the Annual Report.

8. **DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 217 (2AA) of the Companies Act, 1956, Your Directors declare:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that they have prepared the annual accounts on a 'going concern' basis.

Sterling Spinners Ltd.,

9. AUDITORS:

M/s. S. Dhanyakumar & Co., Chartered Accountants will retire as Auditors at the ensuing Annual General Meeting and are eligible for re-appointment.

10. PARTICULARS OF EMPLOYEES :

In terms of the requirement of Section, 217 (2A) of the Companies Act , 1956, No employee was in receipt of remuneration of Rs, 24,00,000/- per annum during the year ended 31st March 2007.

11. INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956:

Particulars required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY:

1) POWER AND FUEL CONSUMPTION	2006-2007	2005-2006
(i) ELECTRICITY PURCHASED		
Units	49.45 Lakhs	54.18 Lakhs
Total Amount	Rs. 209.05 Lakhs	Rs.221.96 Lakhs
Rate/Unit	Rs. 4.23	Rs. 4.10
(ii) OWN GENERATION THROUGH DIESEL GENERATION:		
Units	0.32 Lakhs	0.75 Lakhs
Total Amount	Rs. 4.00 Lakhs	Rs. 8.33 Lakhs
Rate/Unit	Rs. 12.46	Rs. 11.10
2) a) Consumption per Kg. of Production	3.12 Per Unit	3.12 per Unit
b) Cost of Consumption per Kg. of Production	Rs. 13.34	Rs. 13.09

B. TECHNOLOGY ABSORPTION:

The Company has taken steps in carrying out Research & Development Activities in the areas of:

- Grading of Cotton for specific count and quality of yarn.
- Evaluation and maintenance of quality of Yarn at various stages of processing and optimising the process parameters to achieve the best quality of yarn to cope with the International Standards.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review, there is neither Foreign Exchange Earnings nor out go.

12. ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude to the Central and State Governments, M/s. State Industries Promotion Corporation of Tamilnadu Limited, M/s. Tamil Nadu Industrial Investment Corporation Limited, M/s. Punjab National Bank, M/s. Textool Company Limited, Suppliers, Dealers and the Share holders for their continued co-operation and support.

**On behalf of the Board of Directors
For STERLING SPINNERS LTD.,**

**K.S. VENUGOPALA
Chairman-cum-Managing Director**

Place : Chennai

Date : 29.6.2007

13th Annual Report 2006-2007

ANNEXURE TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Company has become a Sick Industrial Company within the meaning of (Clause 'O') of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company has made a reference before BIFR on 28.05.2001 and the Company has been declared as Sick Industrial Company by the BIFR on 6.5.2003.

OUTLOOK:

The Company has submitted rehabilitation proposal to operating Agency M/s. Punjab National Bank for consideration. The management is hopeful of getting approval of Rehabilitation proposal from the BIFR with the help of Financial Institutions, M/s. SIPCOT, M/s. TIIC, under OTS Scheme.

Risk and Concerns:

Fluctuations in the raw material prices will directly affect the cost of production.

Internal Control Systems:

The Company has constituted an Audit Committee, which looks into the aspects of internal control systems and ensures that all is well with the systems in vogue.

Financial and Operational Performance:

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and applicable Accounting Standards issued by the Institute of Chartered Accountants of India. The Management accepts the integrity and objectivity of these financial statements as well as various estimates and judgments as used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect a true and fair manner, the form of transactions and reasonably present the Company's state of affairs and profit for the year.

The Company has achieved a gross Turnover of Rs.361.77 lakhs in the Current year as against Rs.370.21 lakhs of turnover of previous year.

Human Resources and Industrial Relations:

The Industrial relations, by and large were cordial and the Management believes that its people are going to be main strength of its organisation in future.

REPORT ON CORPORATE GOVERNANCE

Company Philosophy on code of Governance:

Company firmly believes in and it has consistently practiced good corporate governance for conduct of its business and permitting its obligations towards all its shareholders.

I. BOARD OF DIRECTORS:

The Company has a Chairman-cum-Managing Director with two other independent Directors. The number of independent Directors is more than fifty percent of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors.

None of the Directors on the board is a member on more than Ten Companies and Chairman of more than 5 committees, across all the companies in which he is a Director. The necessary disclosures regarding committee position have been made by the Directors.

Sterling Spinners Ltd.,

II) BOARD MEETING:

The Board of Directors formulate the business and operational policies and decide on strategic issues concerning the Company. The Board of Directors generally meets as and when situation so demand to review the business performance.

During the year under review 8 meetings of the Board of Directors were held.

2006	2007
22.04.2006	
19.06.2006	22.01.2007
30.06.2006	30.03.2007
28.07.2006	
05.10.2006	
30.10.2006	

The details of attendance at Board Meetings and details of other directorship committee chairmanship/ membership held by the Directors during the period from April 2006 to March 31, 2007 are as follows :

Name of the Director	Board Meetings Attended	Directorships (other than Sterling Spinners Ltd.)	Committees in which / Chairman / member (other than M/s. Sterling Spinners Ltd.)	
			Chairman	Member
Sri. K.S. Venugopala	8	1	-	1
Sri. K. Alagiriswami	8	-	-	-
Sri. R. Vijaykumar	8	-	-	-

All the Directors of the company attended the 12th Annual General Meeting held on 29.09.2006.

III. AUDIT COMMITTEE:

Composition of the Audit Committee is as follows:

Name of the Directors :

Sri. R. Vijaykumar	: Chairman
Sri. K.S. Venugopala	: Director
Sri. K. Alagiriswami	: Director

The Audit Committee reviews the financial accounts / Policies, adequacy of Internal Control Systems and interacts with the Statutory Auditor and Internal Auditors. The Directors and other functional heads are invited to all the committee meetings. Besides, the committee reviews the audit plans, audited and un-audited financial results, observations of the internal and external auditors and follow up with the management.

During the year the committee met 4 times on 29th May 06, 31st August 06, 18th December 06 and 31st March 07. All the members attended all the committee meetings.

IV. REMUNERATION OF COMMITTEE :

Since, the Board of Director of the company consist of Three Directors, the remuneration committee of the company comprise of Two independent directors.

- 1) Sri. K. Alagirisamy - Chairman
- 2) Sri. R. Vijaykumar - Director

V. REMUNERATION OF DIRECTORS:

The Company has applied for Central Government for its approval for payment of remuneration to Chairman-cum-Managing Director w.e.f. 1.9.2005 and awaits for its approval. Hence remuneration was not paid during the year under report.

VI. The Company has a share Transfer committee in place which comprises Sri. R. Vijaykumar, Chairman and Sri. K.S. Venugopala, Sri. K. Alagirisami as members.

VII. COMMITTEE OF BOARD OF DIRECTORS :

Composition of the share transfer committee for approval of share transfers are as follows :

Name of the directors:

Sri. R. Vijaykumar	: Chairman
Sri. K.S. Venugopala	: Director
Sri. K. Alagiriswami	: Director

13th Annual Report 2006-2007

The share transfer committee formed under Clause 49 of the Listing Agreement approves and monitors transfers and transmission of shares of the Company. The committee also reviews the compliance with various statutory and regularity requirements.

During 2006 – 2007 the committee met 4 times on 28th July 2006, 24th November 2006 and 22nd January, 2007 31st March, 2007. All the members attended all the committee meetings.

VIII) SHARE HOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The company is also appointed the share holders grievance committee comprising of Sri. K. Alagirisamy, and Sri. R. Vijaykumar non-executive Director as its members responsibility of committee including redresal of Share holders and Investors complaints whoever there was no complaint from any shareholders during the year.

Name and designation of compliance officer :

Sri. S.N. Kumar, Authorised Signatory.

IX) GENERAL BODY MEETINGS:

Time and location of Last three Annual General Meetings

Year	Date	Time	Location
2006	29.09.2006	10.00 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2005	29.09.2005	10.45 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2004	29.09.2004	10.15 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.

No Special Resolutions was put through postal ballot last year.

X) DISCLOSURES:

- There are no materially significant transactions with related parties i.e., Promoters, Directors or the management and companies under the same management conflicting with the Company's interest.
- No Penalties are statutory have impose on the company by Stock Exchange or Sebi or Statutories Authorities on any matter related to capital market during last three years.

XI) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGERIAL PERSONNAL

Board as adopted the code of conduct for operation of Directors and Senior Management personnal to ensure conditional conduct for performance of their duties, the code as been activated to all the Directors and senior management personal and they have affirmed the compliance of the same.

XII) MEANS OF COMMUNICATION:

Quarterly un-audited results of the Company were published in accordance with Stock Exchange Listing Agreement in "Trinity Mirror" (English) and "Makkal Kural" (Tamil) Annual audited results of the company were published in "Trinity Mirror" (English) and "Makkal Kural" (Tamil).

XIII) GENERAL SHAREHOLDER'S INFORMATION WITH REGARD TO NEXT ANNUAL GENERAL MEETING:

Date	Time	Location
27.09.2007	10.00 A.M.	New No. 4, S.N. Street, Tollgate, Chennai-600 081.

Sterling Spinners Ltd.,

XIV) UNIT LOCATION: : Pa Pudupatti, (P.O.)
Vedasandur Taluk,
Dindigul-624 005.

XV) Address for Investor Correspondence: : New No. 4, (Old No. 377/2) S.N. Street,
Tollgate, Chennai-600 081.

Financial Calender: 2007 - 2008

Financial Reporting:

For the quarter ending June 30, 2007	: July, 2007	}	
For the quarter ending September 30, 2007	: October, 2007	}	
For the quarter ending December 31, 2007	: January, 2008	}	Tentative
For the quarter ending March 31, 2008	: May / June 2008	}	
Annual General Meeting for 2007 – 2008	: September, 2008	}	

- * The Company's shares are listed on the Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
- * The Company has not paid the listing fees for the financial year 2006 – 2007 to the Madras stock exchange Limited, excluding have company has not paid arrears of Interest fees to Bombay Stock exchange limited.
- * The Company has not paid the listing fee the financial year 2006-2007 to the Bombay Stock Exchange Limited.
- * MSE stock code STR SPN 31628
- * MSE stock code SSPS / RSE – MADRAS

13th Annual Report 2006-2007

**S. DHANYAKUMAR & Co.,
CHARTERED ACCOUNTANTS**

**Phone No : 24341189
3, SOUTH BOAG ROAD,
T. NAGAR,
CHENNAI - 600 017.**

Auditor's Certificate regarding compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchange.

To the Members of Sterling Spinners Ltd.

We have reviewed the compliance of conditions of Corporate Governance by M/s. Sterling Spinners Ltd., for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Madras Stock Exchange Limited and The Stock Exchange Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the company for ensuing compliance with the conditions of the compliance of Corporate Governance as stipulated in the said clause. It is neither an audit nor expression of opinion on the financial statements of the company.

No investor grievances are against the Company as per the records maintained by the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Chennai

Date : 30.05.2007

**For S. DHANYAKUMAR & CO.,
Chartered Accountants**

**D. SAMPATH KUMAR
Proprietor
M. No. 3483**

AUDITOR'S REPORT

To

**The Shareholders of
M/s. STERLING SPINNERS LTD.**

1. We have audited the attached Balance Sheet of M/s Sterling Spinners Ltd., as at 31st March 2007, the Profit and Loss Account on that date and also Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) i. **The Company's net worth has eroded due to losses and the Company has become a Sick Industrial Company within the meaning of Clause 'O' of Sub Section (I) of Section 3 of the Sick Industrial Companies (Special Provisions) Act 1985. The Company has made a reference before BIFR on 28.05.2001 and the Company has been declared as Sick Industrial Company by the BIFR on 06.05.2003. The rehabilitation package is still not formulated. Despite erosion of net worth, the accounts have been prepared on a going concern basis as the business is being continued.**
 - ii. **During the year the company reached one time settlement (OTS) with M/s. Tamilnadu Industrial Investment Corporation Limited and M/s. Punjab National Bank and Consequently an amount of Rs. 901.02 lakhs being the Interest waived has been considered as Income of this year. In the case of M/s. State Industries Promotion Corporation of Tamilnadu the company is yet to settle its dues totalling to Rs. 1372.64 lakhs. This includes interest of Rs. 223.56 lakhs charged to profit & Loss account during the year though not paid.**
 - iii. **Some of the balances of Loans and Advances, Sundry Debtors and Sundry Creditors are subject to confirmation.**

13th Annual Report 2006-2007

S. DHANYAKUMAR & Co.,
CHARTERED ACCOUNTANTS

Phone No : 24341189
5, SOUTH BOAG ROAD,
T. NAGAR,
CHENNAI - 600 017.

- b) Subject to our comments above, we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- c) 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;
- d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- e) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- f) On the basis of written representation received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st 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;
- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2007;
 - ii. In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Chennai

Dated: 30.05.2007

For S. DHANYAKUMAR & CO.,
Chartered Accountants

D. SAMPATH KUMAR
Proprietor
M. No. 3483

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All the assets have been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off any fixed assets.
- ii. a) The inventory have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures for physical verification of inventories 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the books records were not material.
- iii. a) The Company has taken Loan from one company and one party covered in the register maintained under Section 301 of the Companies Act, 1956. The Maximum amount involved during the year for the Company was Rs.83.27 Lakhs and that of party was Rs.270.58 Lakhs. The year end balance of loan from such company was Rs.NIL and from such Party was Rs. 270.58 lakhs.
- b) The said company has written off Loan of Rs. 83.27 lakhs due to them, hence not payable.
- c) In our opinion, the rate of interest and other terms and conditions on which Loans have been taken from the Companies, the parties listed in the Register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- d) There is no overdue amount of Loans taken from or granted to Companies, firms or parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of, we have not observed any continuing failure to correct major weakness in internal controls.
- v. a) According to the information and explanations given to us, we are of the opinion that the particulars contracts and arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained in Section 301 of the Companies Act, 1956, have been made at prices that are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the Public and consequently the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.

13th Annual Report 2006-2007

- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix. a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor education protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, except the following there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.

Name of the State Act	Nature of dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
P.F. ACT	P.F. Dues	Rs.2.95 Lacs	22.09.97 to 05.07.99	Madras High Court

- x. In our opinion, the accumulated losses of the Company are more than fifty percent of its networth however, the Company has incurred made profit during the financial year, covered by our audit, but it has incurred Cash Losses during the immediately preceding financial year. The Company has been declared as Sick Industrial Company by the BIFR on 06.05.2003.
- xi. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to Financial Institutions and Bank, as detailed below:

Name of the Financial Institution	Rs. in lakhs			
	Principal	Funded Interest	Interest including Penal Interest	Total
A. TERM LOAN :				
SIPCOT	295.36	197.28	880.00	1372.64

- xii. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

Sterling Spinners Ltd.,

- xiv. In our opinion, the Company is not dealing in or trading in shares, Securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has not raised any fresh Term Loan during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanation given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Chennai

Dated: 30.05.2007

For S. DHANYAKUMAR & CO.,
Chartered Accountants

D. SAMPATH KUMAR
Proprietor
M. No. 3483

13th Annual Report 2006-2007

BALANCE SHEET AS AT 31ST MARCH, 2007.

	Sch.No.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	70000000	70000000
Reserves & Surplus	2	315000	315000
LOAN FUNDS			
Secured Loans	3	159852318	248310516
Unsecured Loans	4	46363383	33233631
TOTAL		<u><u>276530701</u></u>	<u><u>351859147</u></u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	5	159703180	159703180
Less: Depreciation		76027255	68460813
Net Block	A	<u>83675925</u>	<u>91242367</u>
INVESTMENTS	B	-	-
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	1953386	1287446
Sundry debtors	7	991483	1503769
Cash & bank balances	8	1586763	163715
Loans & Advances	9	11982023	12074715
		<u>16513655</u>	<u>15029645</u>
Less: Current liabilities & provisions	10	28759317	30421873
NET CURRENT ASSETS	C	<u>(12245662)</u>	<u>(15392228)</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	11		390600
PROFIT & LOSS ACCOUNT	12	205100438	275618408
	D	<u>205100438</u>	<u>276009008</u>
TOTAL	A+B+C+D	<u><u>276530701</u></u>	<u><u>351859147</u></u>
	22		

Notes on Accounts:

The schedules referred to above from an integral part of the Balance Sheet

Place: Chennai

Date: 30.05.2007

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.**,
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M. No. 3483

Sterling Spinners Ltd.,

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007.

	Sch.No.	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
INCOME			
Sales	13	9925143	7151313
Other Income	14	135446720	31906110
TOTAL		<u>145371863</u>	<u>39057423</u>
EXPENDITURE			
Decrease/(Increase) in Stocks	15	(427041)	(506837)
Raw material consumed	16	7970810	5718495
Manufacturing expenses	17	32662743	29103524
Payment & benefits to Employees	18	1942610	1546710
Administrative expenses	19	1341317	1759056
Selling expenses	20	376934	275223
Financial charges	21	22996709	30116795
Preliminary expenses		390600	390599
Depreciation		7566443	7566441
TOTAL		<u>74821124</u>	<u>75970007</u>
Profit/Loss Before Taxation		70550739	(36912584)
Less : Provision for Fringe Benefit Tax		6768	9034
Less : Earlier Year Provision for Fringe Benefit Tax		20676	-
Profit/Loss after appropriation		70523295	(36921618)
Add: Balance Brought forward		(275618408)	(238696790)
Balance Carried to Balance sheet		(205095113)	(275618408)
Notes on Accounts:	22		

The schedules referred to above from an integral part of the Profit and Loss Account

Place: Chennai
Date: 30.05.2007

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.,**
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M. No. 3483

13th Annual Report 2006-2007

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2007 Rs.		As at 31.03.2006 Rs.
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
100,00,000 Equity shares of Rs.10/-each	100000000		100000000
1,50,000 Preference shares of Rs.100/- each	15000000		15000000
	<u>115000000</u>		<u>115000000</u>
Issued Subscribed & paid up 70,00,000 Equity shares of Rs.10/- each	<u>70000000</u>		<u>70000000</u>
TOTAL	<u><u>70000000</u></u>		<u><u>70000000</u></u>
SCHEDULE - 2			
RESERVES AND SURPLUS			
Employment of women workers subsidy from SIPCOT	315000		315000
TOTAL	<u>315000</u>		<u>315000</u>
SCHEDULE - 3			
SECURED LOANS :			
A: TERM LOANS :			
i) SIPCOT			
Principal	29536000	29536000	
Interest accrued and due	88300394	65944741	
Funded Interest	19727521	19727521	
	<u>137563915</u>	<u>14186000</u>	
Less : Repayments	300000	-	115208262
ii) TIIC			
Principal	14186000	14186000	
Interest accrued and due	39171672	39171672	
Funded Interest	9036216	9036216	62393888
	<u>62393888</u>		
LESS : Waived	35393888		-
	<u>27000000</u>		-
ADD : Interest as per OTS terms	232471		-
	<u>27232471</u>		-
LESS : Repayments	5000000		-
ADD : Interest as per OTS terms	22232471		
iii) PNB			
Principal	-	6250000	
Interest accrued and due	-	4697377	
Penal interest	-	1385776	12333153
		<u>1385776</u>	
B. WORKING CAPITAL LOAN :			
From Punjab National Bank			
OCC - Chennai			
Principal	-	23028671	
Interest accrued and due	-	17483158	
Penal interest	-	4267176	44779005
		<u>4267176</u>	
Book Debts			
Principal	-	3000000	
Interest accrued and due	-	2198458	
Penal interest	-	658980	5857438
		<u>658980</u>	
Bills Discounted			
Principal	-	3967200	
Interest accrued and due	-	3069842	
Penal interest	-	701728	7738770
PNB OTS Account	355932		-
TOTAL	<u><u>159852318</u></u>		<u><u>248310515</u></u>
SCHEDULE - 4			
UNSECURED LOANS :			
From Bodies Corporate	-		8326554
Sales Tax Deferment Loan from Govt. of Tamilnadu	19305155		19305155
Advance from promoters	27058228		5601922
TOTAL	<u><u>46363383</u></u>		<u><u>33233631</u></u>

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE-5

FIXED ASSETS :

Description of Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on 01.04.06	Additions	Deductions	As on 31.03.2007	Upto 31.03.2006	for the year	Adjusted on sales	Total	As on 31.03.2007	As on 31.03.2006
Land	1247689	-	-	1247689	-	-	-	-	1247689	1247689
Land development	705200	-	-	705200	-	-	-	-	705200	705200
Buildings	39109413	-	-	39109413	12319206	1306255	-	13625461	25483951	26790206
Plant & machinery	117088585	-	-	117088585	55375299	6182277	-	61557576	55531009	61713286
Furniture & Fixtures	225926	-	-	225926	120648	14075	-	134723	91203	105278
Office Equipment	1308824	-	-	1308824	641182	62169	-	703351	605473	667642
Vehicles	17543	-	-	17543	4478	1666	-	6144	11399	13065
TOTAL Rs.	159703180	-	-	159703180	68460812	7566443	-	76027255	83675924	91242367
PREVIOUS YEAR	159703180	255660	-	159703180	60894370	7566443	-	68460812	91242367	98808810

13th Annual Report 2006-2007

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SCHEDULE - 6		
INVENTORIES		
(As per inventories taken, valued and certified by the management)		
Finished goods - Yarn	905805	483379
Raw materials	246364	16880
Stock-in-process	143401	138786
Stores and spares	657816	648401
TOTAL	<u>1953386</u>	<u>1287446</u>
SCHEDULE - 7		
SUNDRY DEBTORS		
(Unsecured and considered good)		
Due over six months	522403	522403
others	469080	981366
TOTAL	<u>991483</u>	<u>1503769</u>
SCHEDULE - 8		
CASH AND BANK BALANCE		
Cash on Hand	1383720	2457
With scheduled banks:		
In current accounts	203043	161258
TOTAL	<u>1586763</u>	<u>163715</u>
SCHEDULE - 9		
LOANS AND ADVANCES :		
Unsecured and considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
ADVANCES :		
For others	54023	40703
Pre-paid expenses	111059	102348
Interest accrued on deposit	697069	695828
Income tax & TDS	457977	407991
Deposit with govt. department	10661895	10827845
TOTAL	<u>11982023</u>	<u>12074715</u>
SCHEDULE - 10		
CURRENT LIABILITIES AND PROVISIONS		
Other liabilities	7890465	2436828
Sundry creditors	14055850	11471073
Creditors for Capital works	-	9706295
Advances received from customers	6807677	6807677
TOTAL	<u>28573992</u>	<u>30421873</u>

Sterling Spinners Ltd.,

SCHEDULES FORMING PART OF THE ACCOUNTS

		As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SCHEDULE - 11			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary expenses as per last balance sheet	32191		
Less: written off	<u>32191</u>	-	32191
Public issue expenses as per last balance sheet	358409		
Less: written off	<u>358409</u>	-	358409
TOTAL		<u>-</u>	<u>358409</u>
SCHEDULE - 12			
PROFIT & LOSS ACCOUNT			
as per last balance sheet	275618408		
Add: for the year	<u>(70523295)</u>	<u>205095113</u>	<u>275618408</u>
TOTAL		<u>205095113</u>	<u>275618408</u>
SCHEDULE-13			
SALES			
Yarn		9501708	7057747
Waste		124220	93566
Cotton		299215	-
TOTAL		<u>9925143</u>	<u>7151313</u>
SCHEDULE-14			
OTHER INCOME			
Conversion Charges		109194585	2036163
		26252135	29869947
TOTAL		<u>135446720</u>	<u>31906110</u>
SCHEDULE-15			
Decrease/(Increase) in stock			
Opening stock :			
Yarn		483379	14569
Stock-in-process		138786	100759
	A	<u>622165</u>	<u>115328</u>
Closing stock :			
Yarn		905805	483379
Stock-in-process		143401	138786
	B	<u>1049206</u>	<u>622165</u>
Decrease/(Increase) in Stocks (A-B)		<u>(427041)</u>	<u>(506837)</u>
SCHEDULE-16			
RAW MATERIAL CONSUMED			
COTTON			
Opening stock		16880	393788
Add: Purchases		8200294	5341587
		<u>8217174</u>	<u>5735375</u>
Less: Closing stock		246364	16880
TOTAL		<u>7970810</u>	<u>5718495</u>

13th Annual Report 2006-2007

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
SCHEDULE - 17		
MANUFACTURING EXPENSES		
Repairs & Maintenance	5180	-
Wages & Salary - Factory	3750646	2137794
Power & Fuel	2967071	3936591
Excise Duty	<u>25939846</u>	<u>23029139</u>
TOTAL	<u>32662743</u>	<u>29103524</u>
SCHEDULE-18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries & Wages	610079	596252
Welfare expenses	<u>1332531</u>	<u>950459</u>
TOTAL	<u>1942610</u>	<u>1546710</u>
SCHEDULE - 19		
ADMINISTRATIVE EXPENSES		
Printing & stationery	12335	15405
Communication cost	102128	155878
Travelling & Conveyance	184291	59035
Security service	123043	119862
Licence & taxes	136922	97618
Insurance	315513	308210
Advertisement	135166	48202
Auditor's Remuneration	35000	35000
Director's remuneration	-	600000
Director's Sitting Fee	4000	4500
Legal & Professional Charges	222242	229159
Building Maintenance	27080	39585
Membership Fee	7500	7500
General Expenses	24098	36137
Rent	<u>12000</u>	<u>12000</u>
TOTAL	<u>1341317</u>	<u>1768090</u>
SCHEDULE-20		
SELLING EXPENSES		
Selling Commission	13260	-
Sales tax	<u>363674</u>	<u>275223</u>
TOTAL	<u>376934</u>	<u>275223</u>
SCHEDULE-21		
INTEREST & FINANCIAL CHARGES		
Term loan & others	22944056	30081177
Bank charges	<u>52653</u>	<u>35618</u>
TOTAL	<u>22996709</u>	<u>30116795</u>

Sterling Spinners Ltd.,

SCHEDULE - 22

Notes forming part of the Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date.

1. SIGNIFICANT ACCOUNTING POLICES:

A. Accounting Convention:

The Financial Statements are prepared in accordance with the requirements of the Companies Act, 1956 under the historical cost convention on the accrual basis.

B. Revenue Recognition:

Revenue from sale of goods is recognised upon passing of title to the consumer, and delivery as per terms of sale. Other income and expenses are accounted for on mercantile basis.

C. Fixed Assets:

Fixed Assets are stated at historical cost of acquisition (less CENVAT Credits) including installation and commissioning charges less accumulated depreciation. None of the Fixed Assets have been revalued during the year.

Depreciation is provided on Straight Line Method at the rates prescribed under the Schedule - XIV of the Companies Act, 1956 and while doing so the Plant and Machinery has been considered as continuous process plant by the Company.

D. Inventories:

- i. Raw material and work-in-process: Valued at cost on FIFO basis.
- ii. Finished goods and other Stock-in-trade: Valued at cost or net realisable value, whichever is lower.
- iii. Stores and Spares: Valued at cost.
- iv. Packing Material: Valued at cost
- v. Cotton waste: Net realisable value.

E. Investments: NIL

F. Retirement benefits

- i. Provident Fund : Eligible Employees receive benefits from a provident fund which is a defined contribution plan. The Company is regular in payment of Provident Fund dues.
- ii. Gratuity : The estimated liability of gratuity payable as per the management works out to Rs. 2,08,223/- in accordance with the provisions of payment of Gratuity Act, 1972 which has been provided for.
- iii. Leave encashment : As determined on the basis of Leave Rules of the Company and are charged to the Profit and Loss Account on accrual basis.

G. Sales:

Sales represent the amount receivable for goods sold.

H. Foreign Exchange Transactions:

During the year the Company has not dealt with foreign exchange transactions.

I. Preliminary Expenses

1/10 of the preliminary expenses have been written off during the year.

13th Annual Report 2006-2007

2. Estimated amount of contracts remaining to be executed on Capital Accounts not provided for

2006-07	2005-06
Nil	Nil

3. **Secured Loans:**

- a. Term loans from Financial institutions and Bank: They are secured by mortgage of fixed assets present and future of the Company on paripassu basis and floating charge on current assets subject to first charge to bank providing Working Capital. They are also guaranteed by the Chairman-Cum-Managing Director.
- b. The Company has arrived at OTS with the Bank and one of the Financial Institutions, making payments accordingly.

4. **Contingent Liabilities not provided for**

- a. No provision has been made for the "Backward area power tariff concession" amounting to Rs. 80.94 lakhs claimed and taken credit in accounts but refused by the TNEB. The Madras High Court vide its order dated 19th July'05 has decided the case in favour of the Company, TNEB has appealed to Supreme court by way of special leave petition. Against this the Company has made a deposit of Rs 68.52 lakhs.
- b. The Company has arrived at a compromise through OTS with M/s Textool Ltd., Machinery supplier and paid a sum of Rs. 11.31 lakhs as full and final settlement, the balance of Rs. 85.75 lakhs taken to other Income.
- c. The Provident Fund Authorities vide their letter dt. 12.02.98 have intimated that the provisions of the Provident Fund Act are applicable to the Company with effect from 22.09.97. But the Company has disputed the same in Madras High Court. As a matter of caution the Company has made a provision of Rs 2.95 Lakhs towards P.F. Payable, in earlier years. However, with effect from 5th July 1999, the Company has complied with the provisions of the said Act.

5. The Company has reached OTS with the following parties during the Year :

- a. M/s. Punjab National Bank : OTS reached and complied. Interest waiver of Rs. 547.08 lakhs taken to Other Income.
- b. M/s. The Tamilnadu Industrial Investment Corporation Limited : OTS reached Interest Waiver of Rs. 353.94 lakhs taken to Other Income.
- c. M/s. Textool Limited : OTS Reached and paid a sum of Rs. 11.31 lakhs as full and final settlement and the balance of Rs. 85.75 lakhs taken to other Income.
- d. Other Creditors : As per the agreement reached with Raw Matetials Suppliers, the company received an amount of Rs. 19.01 lakhs taken to ther Income.
- e. Inter Corporate Deposit : M/s. Savorit Limited has waived the loan due to them of Rs. 83.27 lakhs has been taken to Other Income.
6. E-Tax on TNEB Consumption : Consequent to the finality and as per Supreme Coutr decision, the company has made provision for a sum of Rs. 46.35 lakhs demanded by TNEB towards. E-Tax for earlier years. The Company is paying the above amount in installments as per the High Court Order.
7. As the networth of the Company has been eroded, a reference as per provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) was made to the Hon'ble BIFR on 28.05.2001. The company was declared as Sick Industrial Company by the Hob'ble BIFR on 06.05.2003
8. The Company has not made any provision for the Interest payable on unsecured loan taken from Chairman-cum-Managing Director since he has weived the interest.
9. In the absence of taxable Income, no provision for Income tax has been made.

10. **Director's Remuneration:**

As the company has not ontained approval from Central Government, remunertion to Chairman cum Managing Director has not been provided

2006 - 07	2005 - 06
NIL	Rs.6.00 Lakhs p.a

11. Some of the balances of Sundry Debtors, Sundry Creditors and Other Advances are subject to confirmation.
12. In the opinion of the Board of Directors the Current Assets, such as Stock-in-Trade, Sundry Debtors & Loans and advances are shown at realisable value.
13. As information relating to small scale units having business relationship with the Company is not readily available, such information is not furnished.

Sterling Spinners Ltd.,

14. Additional Information:

	2006 - 07		2005 - 06	
	M.T	Rs. in Lakhs	M.T	Rs. in Lakhs
a. Licensed Capacity (No. of Spindles)	Delicensed		Delicensed	
b. Installed Capacity (No. of Spindles)	16128		16128	
c. Production & Sales				
i. Production	123.056		108.424	
ii. Sales				
Yarn	119.584	95.02	102.034	70.58
Cotton	5.91	2.99	-	-
Waste	22.707	1.24	17.959	0.94
Job work receipts	1474.055	262.52	1650.723	298.70
15. Raw Material Consumed				
Cotton	148.425	79.71	131.388	57.18
15. Opening & Closing Stocks				
a. Yarn	6.609	4.83	0.219	0.15
Work-in-Process	1.916	1.26	1.768	1.01
Total	8.525	6.09	1.987	1.16
Closing Stock				
Yarn	10.081	9.06	6.609	4.83
b. Work-in-Process	1.804	1.33	1.916	1.26
Total	11.885	10.39	8.525	6.09
17. Percentage of Raw Material Consumed				
Indigenous	100%	79.71	100%	57.18
18. Percentage of Spares parts & Components consumed (including machinery maintenance)	100%	37.51	100%	21.38
19. Auditor's Remuneration		2006-07	2005-06	
Audit Fee		0.20	0.20	
Tax Audit Fee		0.15	0.15	
Other Matters		-	-	
Total		0.35	0.35	
20. Value of Imports (CIF Value)				
a) Raw Materials		-	-	
b) Capital Goods		-	-	
21. Expenditure in Foreign Currency		-	-	
22. Previous Year's Figures have been regrouped where ever necessary.				
23(A) Related Parties:				
Sl.No.	Party		Relationship	
I. 1	Savorit Limited		Associate Enterprise	
2	Savorit Food Industries Limited		-do-	
3	Savorit Oils Limited		-do-	
II. a)	Sri. K.S. Venugopala, Chairman cum Managing Director		Key Managerial Personnel	
b)	Sri. R. Vijaykumar, Director		-do-	
c)	Sri. K. Alagiriswami, Director		-do-	

23B). RELATED PARTY DISCLOSURES

Rs. in Lakhs

Sl.No.	Name of the related party	Description of the relationship	Nature of the transactions	Opening Balance 2005 - 2006	Balance as on 31.03.2007
1.	K.S. Venugopala	Chairman - Cum- Managing Director	unsecured Loan received	56.02 Cr.	Cr. 270.58
2.	Savorit Limited	Controlled by the same management	Inter corporate deposit received	83.27 Cr.	NIL
		United Ir.dia Rentals (A Division of Savorit Limited)	Rental Payment	0.09 Cr.	Cr. 0.21

24. The Basic and diluted Earning per Share (EPS)

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Loss After Tax	Rs. 70523295	(36921618)
Number of Equity Share	7000000	7000000
Nominal Value of Ordinary Shares	Rs. 10/-	Rs. 10/-
Basic/diluted earning per share	Rs. 10.57	Rs. (5.57)

24. The company has unabsorbed Depreciation and carry forward Losses under Income Tax Act, 1961 available to setoff against future taxable income. In the absence of virtual certainty of sufficient future taxable income to avail the said credit, deferred tax Assets are not recognised during the year.

Place: Chennai

Date: 30.05.2007

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.,**
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M.No. 3483

Sterling Spinners Ltd.,

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. - State Code

Balance Sheet

Date _____ Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue Right Issue

Bonus Issue Private Placement

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities

Total Assets

SOURCES OF FUNDS

Paid-up capital Reserves & Surplus

Secured Loans Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses Deferred Tax Asset

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover Total Expenditure

+ - PROFIT/LOSS BEFORE TAX + - PROFIT/LOSS AFTER TAX

(Please tick appropriate box + for profit - for loss)

Earning per share in Rs. (Annualised) Dividend Rate (%)

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

(AS PER MONETARY TERMS)

(Item Code No. (ITC Code))

Product Description

Place: Chennai
Date: 30.05.2007

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For S. DHANYAKUMAR & CO.,
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M.No. 3483

13th Annual Report 2006-2007

CASH FLOW STATEMENT FOR THE YEAR 2006 - 2007

	31.03.2007 Rs. ('000)		31.03.2006 Rs. ('000)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before Tax and Extra Ordinary Items	70523		(36922)
Adjustment for:			
Depreciation	7566	7566	
Other non-cash charges - Preliminary Exp. written off	391	391	
Interest	22944	30081	38038
Operating profit before working capital changes	<u>101424</u>	<u>30081</u>	<u>(1116)</u>
Adjustment for;			
Increase/(decrease) in Sundry Debtors	512	1471	
Increase/(decrease) in Inventories	(666)	(260)	
Increase/(decrease) in Loans & Advances	93	(1130)	
Increase/(decrease) in Current Liabilities	(1663)	(1428)	(1347)
Cash generated from operations (A)	<u>99695</u>	<u>30081</u>	<u>(231)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Additions to Fixed Assets including CWIP and advances on capital account	-	-	-
Net Cash From Investing Activities (B)	<u>-</u>	<u>-</u>	<u>-</u>
C. CASH FLOW FROM FINANCIAL ACTIVITIES:			
Repayment of Borrowings	(76816)		(5259)
Sales Tax deferment loan from Tamilnadu Govt.	-		(45)
Loans from Promotors	21456		5602
Net Cash From Financing Activities (C)	<u>(55360)</u>		<u>298</u>
Net Increase/(Decrease) in Cash and Cash Equivalent(A+B+C)	1423		67
Opening Balance of Cash and Cash Equivalents	164		97
Closing Balance of Cash and Cash Equivalents	1587		164

Place: Chennai
Date: 30.05.2007

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

Sterling Spinners Ltd.,

**S. DHANYAKUMAR & Co.,
CHARTERED ACCOUNTANTS**

**PHONE : 24341189
5, SOUTH BOAG ROAD,
T. NAGAR,
CHENNAI - 600 017.**

AUDITOR'S CERTIFICATE

To
The Board of Directors
Sterling Spinners Ltd.,
Chennai - 600 081.

We have verified the above Cash Flow Statement of M/s. Sterling Spinners Ltd., derived from the Audited Financial Statements for the year ended 31st March, 2007 and found the same to be drawn in accordance with and also with the requirements of Clause 32 of the Listing Agreement with Stock Exchanges.

Place : Chennai
Date : 30.05.2007

**For S.DHANYAKUMAR & CO.,
CHARTERED ACCOUNTANTS**

**D.SAMPATHKUMAR
PROPRIETOR
M.No. 3483**

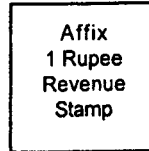
STERLING SPINNERS LTD.,
New No. 4, (Old No. 377/2) S.N. Street, Tollgate, Chennai-600 081.

PROXY FORM

Regd. Folio No.....No. of Shares held.....
I/We.....of.....
in the district being a member/members of Sterling Spinners Ltd. hereby appoint.....
.....in the district of.....of failing him/
her.....of.....in
the district of.....as my/our Proxy to attend and vote
for me/us behalf at the Thirteenth Annual General Meeting of the Company to be held on Thursday the 27th September
2007 at 10.00 a.m. and at any adjournment thereof.

As Witness my hand/our hands this.....day of2007 .

Signed by said.....



Notes : a) The form should be signed across the stamp as per specimen signatures
Registered with the Company.

b) The Proxy form duly completed must be deposited at the Registered Office of the Company not less
than 48 hours before the time fixed for holding the aforesaid meeting.

----- (Tare Here) -----

STERLING SPINNERS LTD.,
New No. 4, (Old No. 377/2) S.N. Street, Tollgate, Chennai-600 081.

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I/We hereby record my/our presence at the 13th Annual General Meeting of the Company held at 10.00 a.m. on
Thursday the 27th September 2007 at New No. 4, (Old No. 377/2), S.N. Street, Tollgate, Chennai-600 081.

Full Name of Member (in Block Letter).....

Regd. Folio No.....No. of Shares held.....

Full Name of the Proxy (in Block Letter).....

Signature of the Member (s) or Proxy/Proxies Present.....

Please complete and sign this attendance slip and handover at the entrance of the meeting hall. Only Member(s)
or their proxies with this attendance slip will be allowed entry to the Meeting.

----- (Tare Here) -----

Book - Post

To

If undelivered please return to :
STERLING SPINNERS LTD.,

Registered Office :
New No. 4, (Old No. 377/2) S.N. Street,
Tollgate, Chennai-600 081.