

STERLING SPINNERS LTD.



**EIGHTEENTH
ANNUAL REPORT
2011 - 2012**

Sterling Spinners Ltd.,

BOARD OF DIRECTORS

1. **Mr. K.S. VENUGOPALA** Chairman-Cum-Managing Director
2. **Mr. K. ALAGIRISWAMI** Director
2. **Mr. R. VIJAYKUMAR** Director

AUDITORS

D. SAMPATHKUMAR & CO.

(Regn.No.003556S)

3, South Boag Road, Thyagaraya Nagar
Chennai 600 017.

REGISTERED OFFICE

New No. 4, S.N. Street,
Tollgate,
Chennai - 600 081.

website :- [sterling spinners.in](http://sterlingspinners.in)

SPINNING MILL

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

| Contents | Page No. |
|-----------------------------------|----------|
| Notice to the Shareholders | 3 |
| Director's Report | 4 |
| Annexure to the Director's Report | 7 |
| Auditor's Report | 12 |
| Balance Sheet | 17 |
| Statement of Profit and Loss | 18 |
| Notes | 19 |
| Cash Flow Statement | 28 |

EIGHTEENTH ANNUAL REPORT

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STATEMENT OF ACCOUNTS FOR THE YEAR ENDED

31st March, 2012

18th Annual Report 2011 - 2012

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Eighteenth 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, 2012** at **11.00 A.M.** to transact the following business:

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2012 and Statement of Profit and Loss of the Company for the year ended 31st March, 2012 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. K.Alagiriswamy, 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".

"RESOLVED that M/s.D. SAMPATHKUMAR & CO., Chartered Accountants, Chennai (Regn.No:003556S) 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 Nineteenth Annual General Meeting of the Company on a remuneration of Rs.25,000/- (Rupees Twenty five thousand only)".

"BY ORDER OF THE BOARD"

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

Place : Chennai
Date : 22.08.2012

NOTES:

- A.1. **A MEMBER WHO 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 Meeting.
3. The Register of Members and Share Transfer Books will remain closed from **Thursday the 20th September, 2012 to Thursday the 27th September, 2012.** (both days inclusive).
4. Nomination facility is available to every shareholder Under Section 109A 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.

Sterling Spinners Ltd.,

DIRECTORS REPORT

Your Directors have pleasure in presenting the **Eighteenth Annual Report** together with the Audited Accounts of the Company for the year ended **31st March, 2012.**

1. OPERATING RESULTS:

| | (Rs. in lakhs) | |
|--|----------------------------|-----------------------------|
| | Current Year 31.03.2012 | Previous Year 31.03.2011 |
| Other Income | 2.12 | 99.54 |
| | <u>2.12</u> | <u>99.54</u> |
| Total Expenditure | 31.61 | 8.43 |
| Interest | 7.81 | 514.62 |
| Gross Profit/(Loss) after Interest but Before Depreciation and Taxation | 37.30 | (423.51) |
| Depreciation | 75.66 | 75.66 |
| Net Profit / (Loss) | (112.96) | (499.17) |

Your Directors report that the Net Loss of the Company for the year under report is Rs.112.96 lakhs as against Net Loss of Rs.499.17 Lakhs of previous year. Your Directors report that the Mill is not functioning with effect from 03.11.2007 due to disconnection of power supply by TNEB.

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. K.Alagiriswamy, Director will retire by rotation and being eligible offers himself for re-appointment.

4. AUDITOR'S OBSERVATION ON ACCOUNTS:

- i) In respect of observation made by Auditors Under Clause 4 (a) (i) and (ii)) of Auditors Report, which are self-explanatory and require no further explanation.
- ii) In respect of qualification made by the Auditors' Under Clause 4 (a) (iii), the Company will take steps to obtain remaining confirmation letters for balance Short Term Loans and Advances and Trade Payables.

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.

18th Annual Report 2011 - 2012

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 16th July, 2011 and 22nd January, 2012 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 2011-2012.

| <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 judgments 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 loss of the Company for that period;

Sterling Spinners Ltd.,

- 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.

9. AUDITORS:

M/s. D. Sampathkumar & 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.60,00,000/- per annum during the year ended 31st March, 2012.

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: Not applicable.

B. TECHNOLOGY ABSORPTION: Not Applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

12. ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude to the Central and State Governments, Suppliers, Dealers and the Share holders for their continued co-operation and support.

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

Place : Chennai

Date : 22.08.2012

K.S. VENUGOPALA
Chairman-cum-Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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 in a true and fair manner and the form of transactions reasonably present the Company's state of affairs and loss for the year. There was no operational performance, since the mill is not functioning.

Human Resources and Industrial Relations:

The employee relations, were cordial.

REPORT ON CORPORATE GOVERNANCE:

Company's 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 share holders.

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.

II. BOARD MEETING:

The Board of Directors formulates the business and operational policies and decides 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.

Sterling Spinners Ltd.,

| 2011 | 2012 |
|------------|------------|
| 31.05.2011 | 25.01.2012 |
| 29.07.2011 | |
| 22.08.2011 | |
| 30.09.2011 | |
| 15.10.2011 | |
| 28.10.2011 | |
| 21.12.2011 | |

The details of attendance of Directors at Board Meetings and details of other directorship / committee chairmanship / membership held by the Directors during the period from April 2011 to March 31, 2012 are as follows :

| Name of the Director | Board Meetings | Directorships (other than M/s.Sterling Spinners Ltd.) | Committees in which / Chairman / member Attended (other than M/s.Sterling Spinners Ltd.) | | Attendance in the 17th Annual General Meeting held on 23.09.11 |
|----------------------|----------------|---|--|--------|--|
| | | | Chairman | Member | |
| Sri K.S. Venugopala | 8 | 1 | - | 1 | Yes |
| Sri. K.Alagiriswami | 8 | - | - | - | Yes |
| Sri. R.Vijaykumar | 8 | - | - | - | Yes |

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, observation of the internal and external auditors and follow up with the management.

During the year the committee met 4 times on 16th May, 2011, 22nd August, 2011, 26th December, 2011 and 30th January in 2012. All the members attended all the committee meetings.

IV. REMUNERATION 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. Alagiriswami – Chairman
- 2) Sri. R. Vijaykumar - Director

18th Annual Report 2011 - 2012

V. REMUNERATION OF DIRECTORS:

Sri. K.S. Venugopala has been re-appointed as Chairman-cum-Managing Director of the Company for a further period of Five Years w.e.f. 01.09.2010 and he has agreed to serve the Company as Chairman-cum-Managing Director without any remuneration in view of the financial position of the Company until further notice.

VI. The Company has a Share Transfer Committee in place which comprises Sri.R.Vijaykumar, Chairman and Sri.K.S.Venugopala, Sri.K.Alagiriswami 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 |

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 2011 – 2012 the committee met one time on 29th March, 2012. All the members attended the above said Committee meeting.

VIII. GENERAL BODY MEETINGS:

Time and location of Last three Annual General Meetings

| Year | Date | Time | Location |
|-------------|-------------|-------------|---|
| 2011 | 22.09.2011 | 11.00 A.M | New No.4 (Old No.377/2) Suryanarayana Street, Tollgate Chennai 600 081 |
| 2010 | 23.09.2010 | 11.00 A.M. | New No.4 (Old No.377/2) Suryanarayana Street, Tollgate Chennai 600 081 |
| 2009 | 26.09.2009 | 11.00 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.

IX. 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.

X. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGERIAL PERSONNEL:

Board has adopted the code of conduct for operation of Directors and Senior Management personnel to ensure congenial conduct for performance of their duties. The code has been activated to all the Directors and senior management personnel and they have affirmed the compliance of the same.

Sterling Spinners Ltd.,

XI. MEANS OF COMMUNICATION:

Quarterly un-audited results of the company were sent to Madras and Bombay Stock Exchanges. The Annual audited results of the Company were published in "Trinity Mirror" (English) and "Makkal Kural" (Tamil).

XII. GENERAL SHAREHOLDER'S INFORMATION WITH REGARD TO NEXT ANNUAL GENERAL MEETING:

| Date | Time | Location |
|-------------|-------------|---|
| 27.09.2012 | 11.00 A.M. | New No.4, S.N. Street Tollgate, Chennai – 600 081. |

XIII. UNIT LOCATION:

: a) Pa Pudupatti (P.O.)
Vedasandur Taluk
Dindigul 624 005.

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

Financial Calenders: 2012-2013

Financial Reporting:

For the quarter ending June 30, 2012 : July, 2012
For the quarter ending September 30, 2012 : October, 2012
For the quarter ending December 31, 2012 : January, 2013
For the quarter ending March 31, 2013 : May / June 2013
Annual General Meeting for 2012-2013 : September, 2013

- ^a The Company's shares are listed on the Bombay Stock Exchange and Madras Stock Exchange Limited.
- ^a Bombay Stock Exchange Regn. code STR SPN 531628
- ^a Madras Stock Exchange Regn. code SSPS / RSE – MADRAS
- ^a The Company has paid the Listing Fees for the Financial Year 2011-12 to the above said Stock Exchanges.
- ^a Connectivity with NSDL : ISIN.INE No.173E01019
- ^a Address of Registrar and Transfer Agent:
M/s CAMEO CORPORATE SERVICES LIMITED,
SUBRAMANIAN BUILDING,
1, CLUB HOUSE ROAD, CHENNAI 600 002

18th Annual Report 2011 - 2012

To the Members of Sterling Spinners Ltd.

The Chief Executive Officer certification towards review of the Financial Statement for the year ended 31.03.2012 has been inadvertently omitted in the Seventeenth Annual Report posted to the members. The same is given below for your kind information.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER OF THE COMPANY

I, K.S. VENUGOPALA, Chairman-cum-Managing Director of M/s Sterling Spinners Ltd., certify that :
I have reviewed the financial statements and cash flow statement for the year ended 31.3.2012 and that to the best of my knowledge and belief, I state that:

1. a) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
b) these statements give a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. These financial statements have been prepared in conformity, in all material respect, with the existing generally accepted accounting principles including Accounting Standards, applicable laws and regulations.
2. a) I further state that to the best of my knowledge and belief, these are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
b) I hereby declare that all the members of the Board of Directors and Committees. I have confirmed compliance with the code of conduct adopted by the Company.
3. I accept overall responsibility for the company's internal control system for financial reporting. This is monitored by the internal audit function which encompasses the examination and evaluation of the adequacy and effectiveness. Internal audit works with all levels of management and statutory auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are appraised of any corrective action taken with regard to significant deficiencies and material weaknesses;
4. I indicate to the auditors and to the Audit Committee:
 - a) significant change, if any, in internal control over financial reporting during the year;
 - b) significant changes, if any, in the accounting policies made during the year;
 - c) instances of significant fraud of which I have become aware of and which involve management or other employees who have significant roll in the Company's internal control system over financial reporting;

However, during the year there were no such changes or instances.

Place: Chennai
Date: 22.08.2012

K.S. VENUGOPALA
C.E.O.(C.M.D.)

Sterling Spinners Ltd.,

**D. SAMPATHKUMAR & Co.,
CHARTERED ACCOUNTANTS**

**Phone No : 24341189
5, 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, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Madras Stock Exchange Limited, Chennai and Bombay Stock Exchange Limited, Mumbai.

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 Corporate Governance as stipulated in the said clause. It is neither an audit nor 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 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.

For D. SAMPATHKUMAR & CO.,
Regn.No.003556S
CHARTERED ACCOUNTANTS

M.K. RAVINDRAN
Partner
CHARTERED ACCOUNTANTS
M. No. 20887

**Place: Chennai
Date: 09.04.2012**

18th Annual Report 2011 - 2012

**D. SAMPATHKUMAR & Co.,
CHARTERED ACCOUNTANTS**

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

AUDITOR'S REPORT

To

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

1. We have audited the accompanying financial statements of M/s Sterling Spinners Ltd, Chennai which comprise the Balance Sheet as at 31st March, 2012, the statement of Profit and Loss and the Cash Flow Statement for the Year ended and a summary of the significant accounting policies and other explanatory information.
2. We 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the order") issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, (" the Act"), 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 networth has eroded due to losses and the Company has become a Sick Industrial Company within the meaning of (Clause 'O') of Sub-Section (1) of Section 3 of Sick Industrial Companies(Special Provisions) of Act, 1985. The Company has made a reference before BIFR on 28.05.2001. The Company has been declared as Sick Industrial Company by the BIFR on 06.05.2003.**

However, proceedings before BIFR were abated as per the Order by BIFR on 22.04.2010 and the Company has filed an Appeal against the above said Order of BIFR with AAIFR which has been disallowed. Now, the matter is pending before the High Court of Madras.

Since Oct' 2007 the Company has stopped operations in its plant. Despite erosion of Networth the accounts have been prepared on a going concern basis.

Sterling Spinners Ltd.,

- ii. **The Company has already settled M/s Punjab National Bank Loans and M/s Tamilnadu Industrial Investment Corporation Limited Term Loans and is in the process of settling dues with M/s State Industries Promotion Corporation of Tamilnadu Ltd., under One Time Settlement Scheme, pending settlement the amount paid Rs.2,04,00,000/- has been shown under Other Loans and Advances.**
 - iii. **Some of the balances of Short Term Loans and Advances and Trade payables are subject to confirmation.**
- 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 purposes 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - e) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - f) On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012, from being appointed as 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, 2012;
 - ii. In the case of the Statement of Profit and Loss, of the Loss 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 the date.*

Place: Chennai
Date: 09.04.2012

For D. SAMPATHKUMAR & CO.,
Regn.No.003556S
CHARTERED ACCOUNTANTS

M.K. RAVINDRAN
Partner
CHARTERED ACCOUNTANTS
M. No. 20887

18th Annual Report 2011 - 2012

D. SAMPATHKUMAR & Co.,
CHARTERED ACCOUNTANTS

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

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date

RE : Sterling Spinners Ltd. ("The Company")

(i) In respect of Fixed Assets :

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All Fixed Assets were physically verified by the Management during the year and 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) In respect of its Inventory :

The Company has stopped production at the mill. Except old stores and spares, there is no inventory. Therefore the provisions of Clause 4(ii) of the order are not applicable to the Company.

- (iii) (a) As informed the Company has not granted any loans, Secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has taken loan from one party covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.678.26 lakhs. The year end balance of loan was Rs.678.26 Lakhs.
- (c) In our opinion, the rate of Interest and other terms and conditions for such loan are not prima facie, prejudicial to the interest of the Company.
- (d) The Company is regular in repaying the Principal Amount as stipulated and no interest has been paid as it is waived by the Party.
- (e) There is no overdue amount of Loan taken from the party covered 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 is an adequate internal control procedure 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 our audit, we have not observed any continuing failure to correct major weakness in the internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into the register required to be maintained under that Section.

Sterling Spinners Ltd.,

- (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 under Section 301 of the Companies Act, 1956, have been made at prices that are reasonable having regard to the 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 and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) Since the Company has stopped operations in the plant, reporting under Clause 4 (viii) of the Companies' (Auditor's Report) Order, 2003 does not arise.
- (x)(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, Excise Duty and Cess were in arrears, as at 31st March, 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, 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.
- (x) **In our opinion, the accumulated losses of the Company are more than fifty percent of its networth and the Company has incurred cash losses during the financial year, covered by our audit and also in the immediately preceding financial year. The company has been declared as Sick Industrial Company by the BIFR on 06.05.03.**
- (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 as detailed below.**

| Name of the Financial Institution | Prinicipal Rs. | Funded interest and interest accrued Rs. | TOTAL Rs. | Remarks |
|--------------------------------------|--------------------|--|---------------------|--|
| A. TERM LOAN: M/s. SIPCOT | 3,00,00,000 | 25,86,63,433 | 28,86,63,433 | Paid against the Loans Rs. 2,04,00,000 (under OTS Scheme) |
| TOTAL | 3,00,00,000 | 25,86,63,433 | 28,86,63,433 | |

18th Annual Report 2011 - 2012

- (xii) In our opinion and according to 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.
- (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.

For **D. SAMPATHKUMAR & CO.,**
Regn.No.003556S
CHARTERED ACCOUNTANTS

M.K. RAVINDRAN
Partner
CHARTERED ACCOUNTANTS
M. No. 20887

Place: Chennai
Date: 09.04.2012

Sterling Spinners Ltd.,

BALANCE SHEET AS AT 31ST MARCH, 2012.

| Particulars | Note No. | As at 31st March, 2012 Rupees | As at 31st March, 2011 Rupees |
|---|----------|-------------------------------------|-------------------------------------|
| <u>I. EQUITY AND LIABILITIES :</u> | | | |
| <u>(1) Shareholders' Funds</u> | | | |
| (a) Share Capital | 2 | 70000000 | 70000000 |
| (b) Reserves and Surplus | 3 | (393368786) | (382072299) |
| | | <u>(323368786)</u> | <u>(312072299)</u> |
| <u>(2) Non - Current Liabilities</u> | | | |
| (a) Long-Term Borrowings | 4 | 356489178 | 347245178 |
| (b) Other Long Term Liabilities | 5 | 32343605 | 16590909 |
| | | <u>388832783</u> | <u>363836087</u> |
| <u>(3) Current Liabilities</u> | | | |
| (a) Trade Payables | 6 | 2554337 | 6654287 |
| (b) Other Current Liabilities | 7 | 162855 | 140767 |
| (c) Short-Term Provisions | 8 | 2451 | 1155 |
| | | <u>2719643</u> | <u>6796209</u> |
| | | <u><u>68183640</u></u> | <u><u>58559997</u></u> |
| II. ASSETS | | | |
| <u>(1) Non-Current Assets</u> | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | 9 | 45843715 | 53410158 |
| (ii) Intangible Assets | | - | - |
| (b) Long term loans and advances | 10 | 20400000 | 2700000 |
| (c) Other Non-Current Assets | | - | - |
| | | <u>66243715</u> | <u>56110158</u> |
| <u>(2) Current Assets</u> | | | |
| (a) Inventories | 11 | 501112 | 501112 |
| (b) Cash and Cash equivalents | 12 | 63626 | 57709 |
| (c) Short-term loans and advances | 13 | 1375187 | 1891018 |
| | | <u>1939925</u> | <u>2449839</u> |
| | | <u><u>68183640</u></u> | <u><u>58559997</u></u> |

Significant Accounting Policies 1
See accompanying Notes forming Part of Financial Statements.

In terms of our Report Attached
For D. SAMPATHKUMAR & CO.,

Regn.No.003556S
CHARTEREDACCOUNTANTS

M.K. RAVINDRAN - Partner
Membership No. 20887
CHARTEREDACCOUNTANT

Place: Chennai
Date: 09.04.2012

For and on behalf of the Board of Directors of
STERLING SPINNERS Ltd.

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

18th Annual Report 2011 - 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | Notes No. | Year Ended 31st March, 2012 Rupees | Year Ended 31st March, 2011 Rupees |
|--|--------------|--|--|
| INCOME | | | |
| I Revenue from Operations | | - | - |
| II Other Income | 14 | 211470 | 9954157 |
| III Total Revenue (I + II) | | <u>211470</u> | <u>9954157</u> |
| IV EXPENDITURE | | | |
| Employee Benefits Expense | 15 | 112972 | 167629 |
| Finance Cost | 16 | 780450 | 51462347 |
| Depreciation and Amortisation | 9 | 7566442 | 7566442 |
| Other Expenses | 17 | 3048093 | 674582 |
| Total Expenses (IV) | | <u>11507957</u> | <u>59871000</u> |
| V Loss before Tax (III-IV) | | <u>(11296487)</u> | <u>(49916843)</u> |
| VI Less: Tax Expense: | | | |
| Current Tax | | - | - |
| Deferred Tax | | - | - |
| VII Loss After the Tax | (V-VI) | <u>(11296487)</u> | <u>(49916843)</u> |
| VIII Earning per Share (of Rs.10/- of each) | | | |
| (1) Basic /Diluted earning per share | | (1.61) | (7.13) |
| (2) Nominal value of Equity Share (Rupees) | | 10.00 | 10.00 |
| Significant Accounting Policies | 1 | | |
| See accompanying Notes forming Part of Financial Statements. | | | |

In terms of our Report attached
For D. SAMPATHKUMAR & CO.,
 Regn.No.003556S
 CHARTEREDACCOUNTANTS
M.K. RAVINDRAN - Partner
 Membership No. 20887
 CHARTEREDACCOUNTANT

For and on behalf of the Board of Directors of
STERLING SPINNERS Ltd.

K.S. VENUGOPALA
 CHAIRMAN-CUM-
 MANAGING DIRECTOR

R. VIJAYKUMAR
 DIRECTOR

Place: Chennai
 Date: 09.04.2012

Sterling Spinners Ltd.,

NOTE - 1

Notes forming part of the Financial for the year ended 31st March, 2012.

1. SIGNIFICANT ACCOUNTING POLICES:

A. Accounting Convention:

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

Use of Estimates

- ii) Estimates and assumptions used in the preparation of the financial statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the Financial Statement.

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.

D. 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.

During the year the mill did not run and no conversion charges received. However, there will be usual wear and tear. Hence the depreciation has been claimed.

E Inventories: Stores and Spares: Valued at cost.

F Investments: NIL

G EMPLOYEE BENEFITS:

a) SHORT-TERM EMPLOYEE BENEFITS:

There are only Two employees. Hence not considered.

b) POST EMPLOYMENT BENEFITS:

i) Defined Contribution Plans:

There are only Two employees. Hence not considered.

ii) Defined Benefit Plans:

There are only Two employees. Hence not considered.

H Sales : NIL No Income from operation during the year.

18th Annual Report 2011 - 2012

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012.

NOTE - 1B

I. Foreign Exchange Transactions:

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

| | | |
|---|---------|---------|
| II. Estimated amount of contracts remaining to be executed on Capital Accounts not provided for | 2011-12 | 2010-11 |
| | Nil | Nil |

III. 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 and the company was declared as Sick Industrial Company by the Hon'ble BIFR on 06.05.2003. Consequent on the Power Supply disconnection by TNEB on 03.11.2007 the Mill is not functioning.

IV. In the absence of taxable income, no provision for Income Tax has been made.

V. Some of the balances of Short Term Loans and Advances and Trade Payables are subject to confirmation.

VI. In the opinion of the Board the Current Assets, Non-Current Assets, such as Long Term Loans and Advances, Inventory are shown at realisable value.

| | | |
|----------------------------------|---------|-----------|
| VII. Value of Import (CIF value) | 2011-12 | 2010-2011 |
| a) Raw Materials | - | - |
| b) Capital Goods | - | - |

VIII. Expenditure in Foreign Currency

IX. SECURED LOANS:

Term Loan from M/s SIPCOT is secured by mortgage of Fixed Assets present and future of the Company on pari passu basis and floating charge on Current Assets. They are also guaranteed by the Chairman-cum-Managing Director.

The Status of Loan is as follows;

a) Term Loan with M/s SIPCOT

The Company has paid Rupees Two Crores and Four lakhs as upfront payment and pursuing with M/s State Industries Promotion Corporation of Tamilnadu Limited for OTS.

X. The revised schedule VI notified under Companies Act, 1956 has become applicable to the company. The Company has reclassified previous year figures to conform to this year classification.

XI. (a) Related Parties:

| 1 | S.No. PARTY. | Relationship |
|----|---|--------------------------|
| | 1. Savorit Limited | Associate Enterprises |
| | 2. Savorit Food Industries Limited | -do- |
| | 3. Savorit Oils Limited | -do- |
| 2. | a) Sri K.S.Venugopala, Chairman-cum-Managing Director | Key Managerial Personnel |
| | b) Sri R.Vijaykumar, Director | -do- |
| | c) Sri K.Alagiriswamy, Director | -do- |

XII. THE BASIC AND DILUTED EARNINGS PER SHARE (EPS)

| Particulars | Year ended 2011-12 Rs. | Year ended 2010-11 Rs. |
|-----------------------------------|------------------------------|------------------------------|
| Profit / (Loss) after Tax | (11296487) | (49916843) |
| Number of Equity Shares | 7000000 | 7000000 |
| Nominal Value of Ordinary Shares | Rs.10/- | Rs.10/- |
| Basic / Diluted Earning per Share | (1.61) | (7.13) |

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.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

XIII. RELATED PARTY DISCLOSURES

| S.No. | Name of the Related Party | Description of the relationship | Nature of the Transactions | Opening balance 2010-11 Rs. | Value of the Transactions 2011-12 Rs. | Any Other Elements of the Related Party Transactions | Amount written off in respect of debts due to related parties | Balance as on 31.03.2012 Rs. |
|-------|---------------------------|---------------------------------|-----------------------------|-----------------------------|---------------------------------------|--|---|------------------------------|
| 1. | K.S. Venugopala | Chairman-cum-Managing Director | Loans from Related Party | 59345745 | 8480000 | Nil | Nil | 67825745 |
| 2. | Savorit Limited | Associate Company | Other Long Term Liabilities | 2930000 | 18262000 | Nil | Nil | 21192000 |

18th Annual Report 2011 - 2012

.NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | As at 31st March, 2012 Rupees | As at 31st March, 2011 Rupees |
|-------------|-------------------------------------|-------------------------------------|
|-------------|-------------------------------------|-------------------------------------|

NOTE - 2

SHARE CAPITAL:

Authorised:

| | | |
|---|----------------------------|----------------------------|
| 1,00,00,000 (P.Y.1,00,00,000) Equity Shares of Rs. 10/- each | 10,00,00,000 | 10,00,00,000 |
| 1,50,000 (P.Y.1,50,000) Preference shares of Rs. 100/- each | 1,50,00,000 | 1,50,00,000 |
| Total | <u>11,50,00,000</u> | <u>11,50,00,000</u> |

ISSUED, SUBSCRIBED AND FULLY PAID UP:

| | | |
|--|---------------------------|---------------------------|
| 70,00,000 (P.Y. 70,00,000) Equity Shares of Rs. 10/- each | 7,00,00,000 | 7,00,00,000 |
| Total | <u>7,00,00,000</u> | <u>7,00,00,000</u> |

| | As at 31st March 2012 | | As at 31st March 2011 | |
|---|-----------------------|-------------|-----------------------|-------------|
| | No. of Shares | Rs. | No. of Shares | Rs. |
| a) Reconciliation of the equity shares outstanding at the beginning and at end of reporting period | | | | |
| Shares outstanding at the beginning of the year | 70,00,000 | 7,00,00,000 | 70,00,000 | 7,00,00,000 |
| Shares outstanding at the end of the Year | 70,00,000 | 7,00,00,000 | 70,00,000 | 7,00,00,000 |
| b) <u>Terms / Rights attached to Equity Shares:</u> | | | | |
| The Company has only one class of Equity Shares having a par value of Rs.10 per share. Each holder of Equity Shares is entitled to one Vote per share. The Dividend is subject to the approval of the share holder in the ensuing Annual General Meeting. | | | | |
| c) Details of Shareholders holding more than 5% Equity Shares in the Company. | | | | |

| Names of the Shareholder | As at 31st March 2012 | | As at 31st March 2011 | |
|--------------------------|-----------------------|--------------|-----------------------|--------------|
| | No. of Shares | % of holding | No. of Shares | % of holding |
| Sri. K.S. Venugopala | 1421050 | 20.30% | 1421050 | 20.30% |
| Savorit Limited | 600000 | 8.57% | 600000 | 8.57% |

Sterling Spinners Ltd.,

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | As at 31st March, 2012 Rs. | As at 31st March, 2011 Rs. |
|--|----------------------------------|----------------------------------|
| NOTE - 3 | | |
| RESERVES AND SURPLUS: | | |
| 1. Other Reserve (Employment of Women Workers subsidy from SIPCOT) - Opening Balance | a) 315000 | 315000 |
| 2. <u>Surplus in Statement of Profit and Loss</u> | | |
| Opening Balance | (382387299) | (332470456) |
| Add: Loss for the year | (11296487) | (49916843) |
| Less: Appropriations | - | - |
| | b) <u>(393683786)</u> | <u>(382387299)</u> |
| Total | (a+b) <u>(393368786)</u> | <u>(382072299)</u> |
| NOTE - 4 | | |
| LONG TERM BORROWINGS: | | |
| 1. Term Loan | | |
| a) From Banks | - | - |
| b) From Other Parties (Secured) M/s SIPCOT | 288663433 | 287899433 |
| Term Loan from M/s SIPCOT is secured by mortgage of Fixed Assets present and future of the Company on Paripassu Basis and floating charge on Current Assets. They are also guaranteed by the Chairman-cum-Managing Director. | | |
| 2. Loan from related party from Managing Director (Unsecured) | 67825745 | 59345745 |
| Total | <u>356489178</u> | <u>347245178</u> |
| NOTE - 5 | | |
| OTHER LONG TERM LIABILITIES: | | |
| 1. IFST Loan from Govt. of Tamilnadu (Unsecured) | 6343928 | 8853232 |
| 2. Others | | |
| a) From related Parties (from Associates) (Unsecured) | 21192000 | 2930000 |
| b) From others (Unsecured) | 4807677 | 4807677 |
| Total | <u>32343605</u> | <u>16590909</u> |
| NOTE - 6 | | |
| TRADES PAYABLES: | | |
| Due for Materials/Supplies | 2554337 | 6654287 |
| As information relating to Trades Payable, relating to Small Scale Units have business relationship with the Company is not readily available, such information is not furnished. | | |
| Total | <u>2554337</u> | <u>6654287</u> |
| NOTE - 7 | | |
| OTHER CURRENT LIABILITIES: | | |
| 1) Audit Fees Payable | 121667 | 106157 |
| 2) Director Sitting Fees Payable | 36880 | 30880 |
| 3) TDS Payable | 4308 | 3730 |
| Total | <u>162855</u> | <u>140767</u> |
| NOTE - 8 | | |
| SHORT TERM PROVISIONS: | | |
| Provisions for Employees Benefit | 2451 | 1155 |
| Total | <u>2451</u> | <u>1155</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTE - 9 TANGIBLE FIXED ASSETS

| S.No | Particulars | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | |
|------|------------------------|---------------------|--------------------------------|---------------------------------|---------------------|---------------------|-----------------|---------------------------------|---------------------|---------------------|
| | | As at 01.04.2011 | Addition during the year | Deduction during the year | As at 31.03.2012 | As at 01.04.2011 | For the year | Deduction during the year | As at 31.03.2012 | As at 31.03.2011 |
| 1 | Tangible Assets | | | | | | | | | |
| | Own | | | | | | | | | |
| 1 | Land : Industrial Plot | 1247689 | - | - | 1247689 | - | - | - | 1247689 | 1247689 |
| 2 | Building | 39814613 | - | - | 39814613 | 18850476 | 1306255 | - | 19657882 | 20964137 |
| 3 | Plant and Equipment | 117088585 | - | - | 117088585 | 86286688 | 6182277 | - | 24619620 | 30801898 |
| 4 | Furnitures & Fixtures | 225926 | - | - | 225926 | 191023 | 14075 | - | 205098 | 34903 |
| 5 | Vehicle (Scooter) | 17543 | - | - | 17543 | 12809 | 1667 | - | 3067 | 4734 |
| 6 | Office Equipment | 1308824 | - | - | 1308824 | 952027 | 62168 | - | 294629 | 356797 |
| | Total Rs. | 159703180 | - | - | 159703180 | 106293023 | 7566442 | - | 113859465 | 53410158 |
| | Previous Year Rs. | 159703180 | - | - | 159703180 | 98726580 | 7566442 | - | 53410158 | 60976600 |

Sterling Spinners Ltd.,

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | As at 31st March, 2012 Rupees | As at 31st March, 2011 Rupees |
|---|-------------------------------------|-------------------------------------|
| NOTE 10 | | |
| LONG TERM LOANS AND ADVANCES: | | |
| 1. Other Loans & Advances | | |
| (Unsecured, considered good) | | |
| a) Deposit with M/s SIPCOT for OTS | 20400000 | 2700000 |
| Total | <u>20400000</u> | <u>2700000</u> |
| NOTE 11 | | |
| INVENTORIES (AT LOWER OF COST OR NET REALISABLE VALUE) | | |
| 1. Stores & Spares | 501112 | 501112 |
| Total | <u>501112</u> | <u>501112</u> |
| NOTE 12 | | |
| CASH & CASH EQUIVALENT | | |
| 1. Cash-in-Hand | | |
| Cash Balance | 1794 | 11340 |
| Total | (A) <u>1794</u> | <u>11340</u> |
| 2. Balance with Bank | | |
| Current Account | 61832 | 46369 |
| Total | (B) <u>61832</u> | <u>46369</u> |
| Total | (A+B) <u>63626</u> | <u>57709</u> |
| NOTE 13 | | |
| SHORT TERM LOANS AND ADVANCES | | |
| (UNSECURED, CONSIDERED GOOD) | | |
| A) Others: | | |
| 1. Advance Income Tax/Refund Due | 290342 | 269195 |
| 2. Balance With Revenue Authorities | 1075360 | 1613200 |
| 3. Prepaid Expenses | 9485 | 8623 |
| Total | <u>1375187</u> | <u>1891018</u> |

18th Annual Report 2011 - 2012

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | Year Ended 31st March, 2012 Rupees | Year Ended 31st March, 2011 Rupees |
|---|--|--|
| NOTE 14 | | |
| <u>OTHER INCOME</u> | | |
| 1. Other receipts | | |
| a) Rental Income | 211470 | - |
| b) Write Back | - | 9954157 |
| Total | 211470 | 9954157 |
| NOTE 15 | | |
| <u>EMPLOYEE BENEFITS EXPENSE</u> | | |
| 1. Salaries, Bonus, PF & ESIC | 112972 | 167629 |
| Total | 112972 | 167629 |
| NOTE 16 | | |
| <u>FINANCE COST</u> | | |
| 1. Interest on Term Loan | 777068 | 51432970 |
| 2. Bank Charges | 3382 | 29377 |
| Total | 780450 | 51462347 |
| NOTE 17 | | |
| <u>OTHER EXPENSES</u> | | |
| 1. Rates & Taxes | 742622 | 312863 |
| 2. Power and Fuel | 1839617 | - |
| 3. Repairs & Maintenance | | |
| a) Buildings | - | - |
| b) Others | 20935 | 40086 |
| 4. Travelling Expenses | 4350 | 2042 |
| 5. General Expenses | 6000 | 6000 |
| 6. Legal Expenses | 10000 | 61151 |
| 7. Postage & Telegram | 8693 | 10265 |
| 8. Professional Charges | 63216 | 24550 |
| 9. Security Expenses | 249168 | 147622 |
| 10. Printing & Stationery Expenses | 8592 | 8416 |
| 11. As Auditors | | |
| a) Audit Fees | 25000 | 25000 |
| b) Tax Audit Fees | 15000 | 15000 |
| 12. Advertisement & Publicity | 54900 | 21587 |
| Total | 3048093 | 674582 |

Sterling Spinners Ltd.,

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012.

| Particulars | 31.03.2012 Rs. | 31.03.2011 Rs. |
|---|-----------------------|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss Before Taxes | (11296487) | (49916843) |
| Depreciation and Amortisation | 7566442 | 7566442 |
| Interest Paid | <u>777068</u> | <u>51432970</u> |
| Operating Loss / Profit before Working Capital Charges | A <u>(2952977)</u> | <u>9082569</u> |
| B. MOVEMENTS IN WORKING CAPITAL: | | |
| Increase /(decrease) in Trade Payables | (4099950) | (4099950) |
| Increase /(decrease) in Long Term Borrowings | (9244000) | (9553986) |
| Increase /(decrease) in Other Liabilities | 22088 | 347205 |
| Increase /(decrease) in Short Term Provisions | 1296 | - |
| Increase / decrease in Long Term Loans and Advances | 17700000 | 2668297 |
| Increase / decrease in Short Term Loans and Advances | <u>(1362841)</u> | <u>1613571</u> |
| | B <u>3016603</u> | <u>(9024860)</u> |
| | A-B <u>63626</u> | <u>57709</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Net Cash from Financing Activities | C Nil | Nil |
| Net Increase / Decrease in Cash and Cash Equivalents | A+B+C 5917 | (1009062) |
| Cash and Cash Equivalents at the beginning of the year | 57709 | 1066771 |
| Cash and Cash Equivalents at the End of the year | 63626 | 57709 |
| <u>CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS</u> | | |
| i) Cash in Hand | 1794 | 11340 |
| ii) Balances with Scheduled Banks in Current Accounts | <u>61832</u> | <u>46369</u> |
| Total Cash and Cash Equivalents (Note No.12) | <u>63626</u> | <u>57709</u> |

In terms of our Report attached
For **D. SAMPATHKUMAR & CO.,**
Regn.No.003556S
CHARTERED ACCOUNTANTS

M.K. RAVINDRAN - Partner
Membership No. 20887
CHARTERED ACCOUNTANT

For and on behalf of the Board of Directors of
STERLING SPINNERS Ltd.

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

Place: Chennai
Date: 09.04.2012

18th Annual Report 2011 - 2012

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

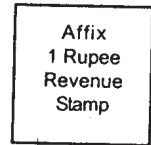
PROXY FORM

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 Eighteenth Annual General Meeting of the Company to be held on Thursday the 27th September
2012 at 11.00 a.m. and at any adjournment thereof.
As Witness my hand/our hands this..... day of 2012 .

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) -----

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ATTENDANCE SLIP

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

I/We hereby record my/our presence at the 18th Annual General Meeting of the Company held at 11.00 a.m. on
Thursday the 27th September 2012, 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.

If undelivered please return to :
STERLING SPINNERS LTD.,
Registered Office :
New No. 4, (Old No. 377/2) S.N. Street,
Tolligate, Chennai-600 081.

To

Book - Post