

SRI NACHAMMAI COTTON MILLS LIMITED



28th ANNUAL REPORT 2007 - 2008



SRI NACHAMMAI COTTON MILLS LIMITED

BOARD OF DIRECTORS

Chairman cum Managing Director	Sri. P.Palaniappan, B.E.,M.S.(U.S.A.),
Joint Managing Director	Smt.P.Umayal, B.Sc.,
Directors	Smt. RM.Umaiya Sri. Amrathlal A.Gandhi, B.Sc., Sri. A.Alagappan, B.B.A., Sri. A.Annamalai Sri. C.S.Thirumalai, M.A.,PGDMA., ACMA., AICWA., MIIE., Sri. Perumal Madhavagopal, L.T.M.,

AUDITORS

Messrs.M.S.Jagannathan & Visvanathan
Chartered Accountants, Coimbatore - 641 002.

INTERNAL AUDITOR

Sri. PL.Arumugam, M.Com.,FCA.,
Chartered Accountant, Salem - 636 004.

BANKERS

Indian Overseas Bank,
Salem Main Branch, Salem - 636 001.

REGISTRAR AND SHARE TRANSFER AGENTS

Cameo Corporate Services Limited,
'Subramanian Building',
No.1, Club House Road, Chennai - 600 002.

COMPLIANCE OFFICER

Mr. V. Sundaramoorthy.

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SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Twenty Eighth Annual General Meeting of Sri Nachammai Cotton Mills Limited** will be held on **Tuesday the 16th day of December, 2008 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem - 636 016** to transact the following business. All the Shareholders are requested to attend the same.

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet for the year ended **30th June 2008**, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of **Sri. C.S. THIRUMALAI** who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of **Sri. AMRATHAL A. GANDHI** who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint an Auditor for the Company to hold office from the close of this Annual General Meeting till the close of the next Annual General Meeting and to fix his remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".
RESOLVED that consent/approval be and is hereby accorded under Sections 198,269,309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of **Sri. P.PALANIAPPAN**, as Chairman cum Managing Director for a period of One year from 19.12.2008 on the following remuneration perquisites and other terms and conditions:
 - I **Salary**
Rs.1,25,000/- p.m. (Rupees One Lakh and Twenty Five Thousand Only)
 - II **Commission**
Commission computed on the basis of 5% of the net profit of the Company as reduced by their aggregate remuneration by way of salary and perquisites (exclusive of perquisites not to be included in the computation of ceiling on remuneration in Paragraph 2 of Part II of Schedule XIII).
 - III **Perquisites**
 1. The Chairman cum Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.
 - i. Contribution of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
 - ii. Encashment of leave at the end of tenure.
 2. **Housing**
The Chairman cum Managing Director shall be entitled to house rent allowance subject to the ceilings. Sixty percent of the salary, over and above ten percent payable by the Chairman cum Managing Director.
 3. **Gas, Electricity, Water and Furnishings**
The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Chairman cum Managing Director.
 4. **Medical Reimbursement**
Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.
 5. **Leave Travel Concession**
For self and family once in a year incurred in accordance with the rules of the Company.
 6. **Club Fees**
Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.
 7. **Personal Accident Insurance**
Premium not to exceed Rs.10,000/- per annum.
 8. **Car**
Car with driver for use on Company's business and telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.



SRI NACHAMMAI COTTON MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING (Contd...)

9. Other Terms and Conditions

- i) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of absence or inadequacy of profits in any financial year during the tenure of Chairman cum Managing Director, he shall be paid the salary and perquisites as specified above, subject to the ceiling under Paragraph 1(A) of Section II Part II of Schedule XIII to the Companies Act, 1956 as modified from time to time and subject further to the perquisites for the purpose of ceiling being reckoned exclusive of the specified perquisites in Paragraph II of Section II aforesaid.

6. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".

RESOLVED that consent/approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Smt. P.Umayal, as Joint Managing Director for a period of one year from 19.12.2008 on the following remuneration, perquisites and other terms and conditions:

I Salary

Rs.1,25,000/- p.m. (Rupees One Lakh and Twenty Five Thousand Only)

II Commission

Commission computed on the basis of 5% of the net profit of the Company as reduced by their aggregate remuneration by way of salary and perquisites (exclusive of perquisites not to be included in the computation of ceiling on remuneration in Paragraph 2 of Part II of Schedule XIII).

III Perquisites

1. The Joint Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Company Act, 1956.

- i. Contribution of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
- ii. Encashment of leave at the end of tenure.

2. Housing

The Joint Managing Director shall be entitled to house rent allowance subject to the ceilings. Sixty percent of the salary, over and above ten percent payable by the Joint Managing Director.

3. Gas, Electricity, Water and Furnishings

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Joint Managing Director.

4. Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.

5. Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

6. Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

7. Personal Accident Insurance

Premium not to exceed Rs.10,000/- per annum.

8. Car

Car with driver for use on Company's business and telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.

9. Other Terms and Conditions

- i) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of absence or inadequacy of profits in any financial year during the tenure of Joint Managing Director, she shall be paid the salary and perquisites as specified above, subject to the ceiling under paragraph 1(A) of Section II Part II of Schedule XIII to the Companies Act, 1956 as modified from time to time and subject further to the perquisites for the purpose of ceiling being reckoned exclusive of the specified perquisites in Paragraph II of Section II aforesaid.

7. To consider and if thought fit to pass the following resolution as an "Ordinary Resolution"

RESOLVED that Sri . Perumal Madhava Gopal who was co-opted as an Additional Director of the Company by the Board of Directors who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

**SRI NACHAMMAI COTTON MILLS LIMITED****NOTICE OF ANNUAL GENERAL MEETING (Contd...)****Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
2. Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Directors are provided in the Annexure to the notice.
3. The instrument appointing Proxy should however be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 11.12.2008 to 16.12.2008 (both days inclusive).
5. Members holding share in Physical form are requested to intimate immediately any changes in their address to the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building' No. 1, Club House Road, Chennai - 600 002 and members holding shares in dematerialized form may inform the same to their respective Depository Participant.
6. Unclaimed dividends for the financial years 1995-96, 1996-1997, 1997-1998 & 1998-1999 were transferred on 3rd August, 2002, 7th October, 2003, 22nd February, 2005 and 14th February, 2006 respectively, to the Investor Education and Protection Fund ("IEPF") as required under Section 205C of the Act.

EXPLANATORY STATEMENT**AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item Nos. 5 & 6:**

Sri. P.Palaniappan was appointed as Chairman cum Managing Director and Smt. P.Umayal was appointed as Joint Managing Director for a period of one year with effect from 19.12.2007 by the Board of Directors at its Meeting held on 27.08.2007 and their period of reappointment expires on 18.12.2008.

As recommended by the Remuneration Committee, the Board of Directors at the meeting held on 28-08-2008 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of One year from 19-12-2008 on the same remuneration and perquisites and other terms and conditions as set out in the resolution.

Sri. P.Palaniappan has rich experience in the varied fields of technical, financial, marketing and cotton purchase management. Smt. P.Umayal has rich experience in cotton selection, procurement and purchase and overall administration of the Company. Their experience will be highly beneficial to the Company.

The proposed re-appointment, remuneration and perquisites are within the limits prescribed in the Schedule XIII of the Companies Act, 1956 and require the approval of the Shareholders as per the provisions of the Companies Act, 1956. Accordingly, the resolution set out in Item nos. 5 & 6 are recommended by the Remuneration Committee and the Board of Directors for approval of this General Meeting.

Sri. P.Palaniappan and Smt. P.Umayal may be deemed to be concerned or interested in the above re-appointment as it relates to their re-appointment and remuneration and Smt. RM. Umaiya is interested being related to Sri. P.Palaniappan and Smt. P.Umayal.

Item No. 7:

Sri. Perumal Madhava Gopal was co-opted as an Additional Director of the Company 28.01.2008 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only up to the date of ensuing Annual General Meeting. As required by Section 257 of the Act, a notice together with requisite deposit has been received from a member signifying his intention to propose his appointment as a Director. The Board considers it desirable that the Company should continue to avail itself of his services and therefore commend the same for passing it as an Ordinary Resolution. None of the Directors except Sri. Perumal Madhava Gopal deemed to be interested in the above resolution.

Salem

28th August, 2008

Annexure:

Reappointment of Directors

By order of the Board,

P. Palaniappan

Chairman cum Managing Director

A brief resume in respect of the proposed reappointment of Directors is given below in terms of **Clause 49 of the Listing Agreement.**

	1	2
Name	Sri. C.S.Thirumalai	Sri. Amrathlal A. Gandhi
Age	73 Years	75 years
Date of Appointment	28.09.2001	05.06.1995
Experience	50 years	53 years
Other Directorships	Nil	Nil
Member of the Committee	Audit Committee & Remuneration Committee	Audit Committee, Remuneration Committee, and Share Holders Grievances Committee.

**SRI NACHAMMAI COTTON MILLS LIMITED**

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 28th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2008.

FINANCIAL RESULTS FOR THE YEAR

The financial results for the year under review are furnished below:

	30-06-2008	30-06-2007
	Rs.	Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	3,86,01,660	1,64,28,319
Less: Interest	4,55,95,760	2,51,93,742
GROSS LOSS	69,94,100	87,65,423
Add: Depreciation	1,98,82,215	1,68,42,741
LOSS BEFORE TAX	(2,68,76,315)	(2,56,08,164)
Deferred Tax Asset/(Liability)	1,21,00,672	35,92,662
Fringe Benefit Tax	(59,671)	(88,739)
Fringe Benefit Tax for prior year	(5,350)	--
Excess Income Tax Provision reversed	1,06,000	--
LOSS AFTER TAX	(1,47,34,664)	(2,21,04,241)
Bonus and Exgratia for Prior year	(13,81,380)	(14,68,909)
Dimunition in value of investments	(49,252)	--
Deficit transferred to Balance Sheet	(1,61,65,296)	(2,35,73,150)



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT OF BOARD OF DIRECTORS (Contd...)

REVIEW OF OPERATIONS

During the year under review, the turnover of the Company increased by 41.91%. Gross Loss before depreciation decreased from Rs. 87.65 lakhs to Rs. 70.16 lakhs. The loss was on account of the following factors.

The demand for yarn from garment exporters had fallen due to the appreciation of the Indian Rupee against the USD.

Cotton prices had increased over 50% but there was no proportionate increase in yarn Prices.

Power supply from the grid was erratic with frequent power failures and poor quality of power causing production loss.

Cost of most inputs had gone up drastically including interest costs.

During the current year, the Company is expected to improve its performance with the depreciation of the Indian rupee and more demand for yarn at higher prices.

FIXED DEPOSITS

As on **30.06.2008**, one deposit amounting to **Rs. 5,000/-** remaining unclaimed on the due dates and close follow up is being made to obtain instruction from the depositor.

DIRECTORS

The Directors Sri. C.S.Thirumalai and Sri. Amrathlal A.Gandhi retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The details as required under Clause 49 of the Listing Agreement is attached.

Sri. AR.Annamalai, Director passed away on 14.09.2007.

Sri. R.Vijayaraghavan, resigned from his Directorship with effect from 23.10.2007.

Sri. Perumal Madhava Gopal was appointed as Additional Director with effect from 28.01.2008.

The Board expresses its appreciation for the services rendered by Sri. AR.Annamalai and Sri. R.Vijayaraghavan towards the growth of the company.

The Particulars of the Director proposed to be appointed or re-appointed are given in the Report on Corporate Governance of this Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT:

As per amended Section 217(2AA) of the Companies Act, 1956, the Board of Directors states that in the preparation of Annual Accounts for the year ended **30.06.2008**

1. That the applicable accounting standards have been followed and there are no material departures.
 2. That the Directors have selected such accounting policies in consultation with the statutory auditors 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 ended **30.06.2008** and of the loss of the Company for that year.
 3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
 4. That the Directors have prepared the Annual Accounts for the year ended 30.06.2008 on a going concern basis.
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SRI NACHAMMAI COTTON MILLS LIMITED

REPORT OF BOARD OF DIRECTORS (Contd...)

CORPORATE GOVERNANCE

Reports on Management Discussion and Analysis and Corporate Governance along with a certificate from the auditors of the Company regarding compliance in accordance with Clause 49 of the Listing Agreements with Stock Exchanges are annexed as part of the Annual Report.

LISTING

The Equity Shares of the Company are listed in Mumbai and Coimbatore Stock Exchanges and the Company has duly paid the Annual listing fees for the year **2008-2009**, except to Coimbatore Stock Exchange to which the Company has applied for de-listing on 22.08.2005.

M/s.Cameo Corporate Services Limited, Chennai is the Registrar for providing depository services through National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for holding Shares in Electronic mode (De-mat) by our Shareholders and also Registrar for Share Transfer Services for physical segment.

AUDITORS

M/s. M.S.Jagannathan & Visvanathan, Auditors retire at the ensuing Annual General Meeting and they are eligible for reappointment.

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, there are no employees who are in receipt of remuneration of Rs.24 lakhs or more per annum and Rs.2 lakhs or more per month.

STATEMENT SHOWING DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 a Statement showing details of Conservation of Energy, Technology Absorption, Exports and Foreign Exchange earning and outgo is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the tremendous support from the Bankers M/s. Indian Overseas Bank, the shareholders, depositors, all our suppliers and customers. The Board also wishes to place on record their appreciation for the contribution made by the employees at all levels.

Salem

28th August, 2008

For and on behalf of the Board of Directors,

P.PALANIAPPAN

Chairman cum Managing Director

ADDENDUM TO DIRECTORS REPORT

In respect of Auditors qualification with regard to non-Confirmation from Parties, it is stated that steps are being taken to get the Confirmation in the future.

Salem

28th August, 2008

For and on behalf of the Board of Directors,

P.PALANIAPPAN

Chairman cum Managing Director



SRI NACHAMMAI COTTON MILLS LIMITED

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ANNEXURE TO DIRECTOR'S REPORT

Particulars Pursuant to Section 217(1)(c) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

Though your Company does not have energy intensive operations, it continues to pursue energy Conservation Measures.

Energy Conservation Measures adopted by your Company are as follows:

- (i) Continuous monitoring of energy consumption including space optimization to achieve energy efficiencies.
 - (ii) Scheduled Preventive Maintenance of Plant and Machinery.
 - (iii) Regular Cost Review with action plans as effective utilization of Power during peak and non peak hours.
- Your Company will continue to tightly monitor and control overall energy expenses.

FORM A

Form for disclosure of particulars with respect to Conservation of Energy.

	<u>Current Year</u> Year ended 30.06.2008	<u>Previous Year</u> Year ended 30.06.2007
A. POWER AND FUEL CONSUMPTION :		
1. Electricity		
(a) Purchased		
Units	2,39,27,440	1,64,63,374
Total Amount (Rs.)	10,36,79,028	7,71,21,928
Rate Per unit (Rs.)	4.33	4.68
(b) Own Generation		
(i) Through Diesel Generator		
Units	1,56,116	2,64,663
Units per litre of Diesel	3.24	3.22
Cost/Unit (Rs.)	9.30	9.22
(ii) Through Steam Turbine/ Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
CONSUMPTION PER UNIT OF PRODUCTION :		
Yarn produced (kgs)	82,14,929	63,44,906
Electricity Consumed (Units)	2,40,83,556	1,67,28,037
Electricity Consumed Per kg. of yarn (Units)	2.93	2.64

B. PARTICULARS OF TECHNOLOGY ABSORPTION

The Company has no R & D Division. The Company is a member of South India Textile Research Association and gets the benefits of their research.

C. PARTICULARS ON FOREIGN EXCHANGE EARNINGS AND OUTGO

EARNINGS :	Direct Exports	Rs.	Nil
OUTGO :	Import of Raw Material	Rs.	Nil
	Import of Spares	Rs.	2,14,102
	Import of Capital Goods	Rs.	3,33,060
			<u>5,47,162</u>

For and on behalf of the Board of Directors,

Salem
28th August, 2008

P. PALANIAPPAN
Chairman cum Managing Director



SRI NACHAMMAI COTTON MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

Textile Industry is the largest employer of workforce after agriculture, playing a crucial and pivotal role in the Indian Economy. Its importance to the Indian economy is recognised for its significant contribution to Industrial production and export earnings. The textile Industry can be classified under 4 categories: Spinning, Weaving, Knitting and Processing. The Indian Spinning Sector is largely in the organised sector and continues to be the predominant supplier of Cotton Yarn in the World.

The Indian textile industry is presently going through a very challenging phase. The increase in cotton prices, freight and other input costs along with erratic power supply is making the Indian textile industry face intense pressure from other competing nations. However, with the withdrawal of the duty on cotton imports, removal of incentive on cotton exports, appreciation of the USD and pick up in the demand for textile products from India, one can expect the textile industry to perform better in the current year.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

The increased purchasing power and liberal spending patterns of the young and growing Indian population and signs of pickup in demand for Indian textile products from international buyers holds much promise for the Textile industry. The spiraling inflation, slowing of the economic growth all over the world, hardening interest rates, currency volatility and crude prices are affecting the entire economy and the textile industry also.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

At present, the segmental reporting are not applicable to the company as the Company has only single reportable business segment i.e. "Textiles"

D. OUTLOOK :

The future of the textile industry is full of surprises and challenges. Only the mills, which warrant customer satisfaction, value for money at a low cost, good working capital management and clear vision for the future can survive in the highly competitive years to come. The management of your Company is working in that direction.

Your company is a significant player in the coarse and medium segment in the Indian Cotton Yarn Market. Owing to a good monsoon, we expect a bumper cotton crop. The company continues to make special efforts to tap new markets, apart from traditional markets.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd...)**E INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :**

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

The Internal Control is supplemented by an extensive programme of internal checks. The Internal Control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

F FINANCIAL AND OPERATIONAL PERFORMANCE :

Please refer Board Report on financial and operational performance review.

G MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT :

The Company has been conducting training and motivational programmes for both the management staff and the workers. The purpose of these programmes is to increase the competency levels in the organization. The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. Some of the workers in the Spinning department of 'A' unit went on illegal stay in strike on 23.09.2007. The management had no option but to declare partial lock out, which is still continuing. Management is taking all steps to improve relationship with the workers without compromising on discipline and productivity.

H. CAUTIONARY STATEMENT:

Certain statements made in the Management Analysis and Report relating to company's outlook, expectations, etc. may constitute forward looking statements within the meaning of the applicable laws and regulations. Actual results may differ from outlook, expectations etc, whether express or implied. Several factors could make a significant difference to the Company's operations which may include climatic conditions, economic conditions affecting demand and supply, Government regulations, natural calamity, etc. over which the company does not have any control.



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy on Code of Corporate Governance:

The Company believes in transparency, accountability and code of ethics, which are the core principles of Corporate Governance. The Company will always endeavour to improve on these aspects

2. Board of Directors:

Details of composition of Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other directorships and other committee memberships are given below:

Sl. No.	Name of the Director	Category of Directorship	Number of Board Meetings attended	Attendance at last AGM	No. of other Directorships as on 30 th June, 2008*	No. of other Committee		No. of shares held
						Member ships	Chairman ships	
1.	Sri P. Palaniappan (Chairman cum Managing Director)	ED(P)	4	Yes	1	-	-	774738
2.	Smt. P. Umayal (Joint Managing Director)	ED(P)	4	Yes	2	-	-	1031343
3.	Smt. RM. Umaiyal	NED(P)	4	Yes	1	-	-	1000
4.	Sri. AR. Annamalai *	NED(I)	1	No	2	-	-	24807
5.	Sri R. Vijayaraghavan **	NED(I)	-	No	10	-	-	398
6.	Sri. A. Annamalai	NED(I)	4	Yes	1	-	-	3718
7.	Sri. Amrathlal A. Gandhi	NED(I)	4	No	-	-	-	500
8.	Sri. A. Alagappan	NED(I)	3	No	-	-	-	100
9.	Sri. C. S. Thirumalai	NED(I)	4	No	-	-	-	-
10.	Sri. Perumal Madhava Gopal***	NED(I)	1	No	2	-	-	-

ED (P) – Executive Director – Promoter

NED (P) – Non Executive Director - Promoter

NED (I) – Non Executive Director, Independent

* Including Directorship in Private Limited Companies

* Sri A.R. Annamalai, Director passed away on 14-09-2007

** Sri R. Vijayaraghavan, resigned from his Directorship with effect from 23-10-2007

*** Sri Perumal Madhava Gopal was appointed as Additional Director with effect from 28-01-2008

During the accounting year 2007-2008, 4 Board Meetings were held on 27th August 2007, 29th October 2007, 28th January 2008 and 30th April 2008.

3. Relationship of Directors inter-se

Sl.No.	Name	Related Directors	Relationship inter-se
1.	Sri. P. Palaniappan	Smt. P. Umayal Smt. RM. Umaiyal	Wife Mother-in-law
2.	Smt. P. Umayal	Sri. P. Palaniappan Smt. RM. Umaiyal	Husband Mother
3.	Smt. RM. Umaiyal	Sri. P. Palaniappan Smt. P. Umayal	Son-in-law Daughter



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd..)

4. Audit Committee:

Details of composition of the Committee and attendance of the members at the meetings are given below:

Sl.No.	Name	Designation	Category	No. of Meetings attended
1.	Sri C. S. Thirumalai	Chairman	NED(I)	4
2.	Sri A. Alagappan	Vice-Chairman	NED(I)	3
3.	Sri Amrathlal A. Gandhi	Member	NED(I)	4

During the Accounting year 2007-2008, 4 meetings of the Committee were held on **27th August 2007, 29th October 2007, 28th January 2008 and 30th April 2008.**

The Chairman cum Managing Director is a permanent invitee to the Meetings. Head of Accounts, Internal Auditors and the Statutory Auditors are also invited to attend the Meeting.

The powers and terms of reference of the Committee are as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges.

5. Remuneration Committee:

The Board of Directors have constituted a Remuneration Committee on 27th August 2007. The terms of reference of the Committee are as specified in Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

Details of composition of the Committee is given below:

Sl. No.	Name	Designation	Category
1.	Sri C. S. Thirumalai	Chairman	NED(I)
2.	Sri A. Alagappan	Vice-Chairman	NED(I)
3.	Sri Amrathlal A. Gandhi	Member	NED(I)
4.	Sri A. Annamalai	Member	NED(I)

Executive Directors' remuneration details for the financial year 2007-2008 are given below:

Name of the Director	Salary (Rs.)	Commission (Rs.)	Perquisites and others (Rs.)	Total (Rs.)	Contract Period (No. of years)
Sri. P. Palaniappan Chairman cum Managing Director	15,00,000	-	11,124	15,11,124	1
Smt. P. Umayal Joint Managing Director	15,00,000	-	18,326	15,18,326	1

Smt. P. Umayal entitled to Company's contribution to Provident Fund as per the rules of the Company.

Notice period for the Executive Directors is as applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company does not have a scheme for stock options for the Directors or employees.



SRI NACHAMMAI COTTON MILLS LIMITED

13

REPORT ON CORPORATE GOVERNANCE (Contd..)

The Sitting Fees paid for the year ended 30th June, 2008 to the Non Executive Directors for attending the Board / Committee meeting are as follows:

Sl. No.	Name of the Director	Sitting Fees paid Rs.
1.	Smt. RM. Umaiyal	4000.00
2.	Sri. AR. Annamalai	1000.00
3.	Sri. Amrathlal A. Gandhi	13000.00
4.	Sri. A. Alagappan	7000.00
5.	Sri. C. S. Thirumalai	9000.00
6.	Sri. A. Annamalai	9000.00
7.	Sri. Perumal Madhava Gopal	1000.00

6. Share Transfer Committee :

During the year, 19 Share Transfer Committee meetings were held. Details of composition of the Committee are given below:

Sl.No.	Name	Designation	Category	No. of Meetings attended
1.	Sri P. Palaniappan	Chairman	ED(P)	19
2.	Smt. P. Umayal	Vice Chairman	ED(P)	19
3.	Sri A. Annamalai	Member	NED(I)	19

The Committee has the power to approve transfers and transmission of shares and also issue duplicate share certificate in lieu of those, which are reported to be lost or destroyed.

The Secretarial Department of the Company, under the supervision of Sri.V.Sundaramoorthy, Deputy General Manager who is nominated as the "Compliance Officer" as required by SEBI / Listing Agreement and Cameo Corporate Services Limited, Registrar & Share Transfer Agents attend to all Shareholders / Investors Grievances received directly or through SEBI, Stock Exchanges, Department of Company Affairs and Registrar of Companies.

7. Shareholders Grievances Committee :

During the year 4 Shareholders Grievances Committee meetings were held.

Committee has the power to look into redressal of shareholders /investors complaints such as non-receipt of shares sent for transfer, non-receipt of dividends / Annual Reports etc. The Board has designated Sri. V.Sundaramoorthy, Deputy General Manager as 'Compliance Officer' (w.e.f. 30.04.2007)

Details of composition of the Committee are given below:

Sl. No.	Name	Designation	Category	No. of Meetings Attended
1.	Sri. A. Amrathlal A. Gandhi	Chairman	NED(I)	4
2.	Sri. A. Annamalai	Vice Chairman	NED(I)	4
3.	Sri. P. Palaniappan	Member	ED(P)	4
4.	Smt. P. Umayal	Member	ED(P)	4

The Company and Cameo Corporate Services Limited have attended to all the Shareholders / Investors grievances and correspondences generally within a period of 15 days from the date of receipt.

The total number of letters in the nature of complaints received from the shareholders was Nil. There were no complaints pending as on 30th June 2008. No requests for dematerialisation and transfer were pending as on 30th June 2008.

**SRI NACHAMMAI COTTON MILLS LIMITED****REPORT ON CORPORATE GOVERNANCE (Contd..)****8. General Body Meetings :**

Details of Location, Date and Time of the Annual General Meetings held during the last three years:

Year	Venue	Date & Time
2007	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016.	5 th December 2007 at 5.00 P.M.
2006	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016.	6 th December 2006 at 5.00 P.M.
2005	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016.	7 th December 2005 at 4.45 P.M.

No Special Resolution was put through postal ballot during the last year. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

9. Disclosures:

- Related party Transactions are disclosed in Note No.15 of Schedule 26 to the accounts in the Annual Report. There were no materially significant related party transactions, i.e., transactions of the Company of material nature with its promoters, the directors or the management or relatives etc., that may have potential conflict with the interest of Company in large.
- The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI, Stock Exchanges or any other statutory authority on any matter related to Capital markets during the last 3 years.

Other Information :**a) Code of Conduct :**

The Company has laid down a code of conduct for all Board Members and senior management personnel of the Company. The code of conduct is available on the website of the Company www.sncm@rediffmail.com The declaration of Chairman cum Managing Director is given below:

To the Shareholders of Sri Nachammai Cotton Mills Limited**Sub : Compliance with Code of Conduct**

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

P.PALANIAPPAN

Chairman cum Managing Director

SALEM

28th AUGUST, 2008**10. Means of Communication:**

The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after the same was taken on record by the Board. The Financial results are published in MAKKAL KURAL and TRINITY MIRROR and displayed on the website of the company www.sncmindia.com.

11. Management Discussion and Analysis is a part of Annual Report.**12. Information on Directors:**

Information relating to Directors seeking re-appointment as required under clause 49(VI)(A) of the Listing Agreement is given in the notice of Annual General Meeting.



SRI NACHAMMAI COTTON MILLS LIMITED

GENERAL SHAREHOLDERS INFORMATION:

1. Annual General Meeting:

Day, Date & Time : Tuesday, 16th December 2008 at 5.00 P.M.
 Venue : Hotel Sarathy Classics, 8/3, Park Street,
 Fairlands, Salem – 636 016.

2. Financial Calendar (Tentative):

Unaudited results for the quarter ending 30th September, 2008 : 4th Week of October, 2008
 Unaudited results for the quarter ending 31st December, 2008 : 4th Week of January, 2009
 Unaudited results for the quarter ending 31st March, 2008 : 4th Week of April, 2009
 Audited results for the year ended 30th June, 2009 : 4th Week of August, 2009

3. Book Closure Dates:

11th December 2008 to 16th December 2008 (both days inclusive) for the purpose of the Annual General Meeting.

4. Listing on Stock Exchanges:

The equity shares of the company are listed in **Mumbai** and **Coimbatore** Stock Exchanges.
 The Annual Listing fees for the year 2008-2009 has been paid to all the aforesaid Stock Exchanges, except to Coimbatore Stock Exchange to which the Company has applied for de-listing on 22.08.2005.

5. Stock Codes:

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	521234
Coimbatore Stock Exchange	211021

6. Market Price Data:

Share prices during the year 2007-2008 at CSE and BSE for one equity share of Rs.10/- each were as under:

Months	CSE		BSE	
	High	Low	High	Low
Jul '07	-	-	18.50	15.25
Aug '07	-	-	18.90	15.30
Sep '07	-	-	19.80	15.90
Oct '07	-	-	20.90	14.15
Nov '07	-	-	16.80	13.25
Dec '07	-	-	20.70	14.00
Jan '08	-	-	21.85	14.10
Feb '08	-	-	16.05	13.75
Mar '08	-	-	15.30	11.55
Apr '08	-	-	14.13	11.05
May '08	-	-	16.22	11.45
Jun '08	-	-	16.25	11.05

As at 30th June, 2008, the Company's unclaimed dividend account has a balance of Rs.3,14,511/- representing unclaimed dividend for the years 2003-2004 & 2005-2006. The Company sends out reminders to those shareholders who have not claimed the dividends for earlier years to claim the same from the Company failing which the Company would be required to transfer the same to IEPF after seven years.



SRI NACHAMMAI COTTON MILLS LIMITED

GENERAL SHAREHOLDERS INFORMATION (Contd..)

7. Registrar and Share Transfer Agent:

Cameo Corporate Services Limited,

'Subramanian Building' V Floor, No.1, Club House Road, Chennai – 600 002.

Phone: 044 – 28460390 (6 Lines), Fax: 044-28460129

Grams: CAMEO E-mail: cameo@cameoindia.com, Website:www.cameoindia.com

8. Share Transfer System:

Share Transfer Committee comprising of the following Directors:

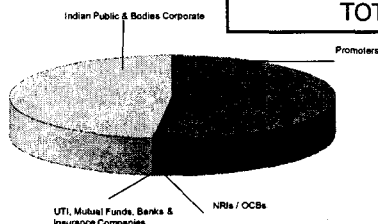
Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Sri. P. Palaniappan	Chairman	ED(P)	19
2.	Smt. P. Umayal	Vice Chairman	ED(P)	19
3.	Sri. A. Annamalai	Member	NED(I)	19

Presently the share transfers which are received in physical form are processed and the share certificates duly transferred are returned generally within a period of 30 days from the date of receipt, except for slight delay in respect of transfers, subject to the documents being valid and complete in all respects. Company also offers the facility of transfer-cum-demat as per SEBI Guidelines.

9. (a) Shareholding pattern as on 30-06-2008 : (b) Distribution of share holding as on 30-06-2008 :

Category	% of holding
Promoters	51.64
NRIs / OCBs	0.26
UTI, Mutual Funds, Banks & Insurance Companies	0.01
Indian Public & Bodies Corporate	48.09
Total	100.00

Shareholding range	No of Holders	% of Holders	No of Shares	% of Shares
1 - 100	2667	66.06	251595	5.85
101 - 500	869	21.53	242386	5.63
501 - 1000	211	5.23	169665	3.95
1001 - 2000	137	3.39	205257	4.77
2001 - 3000	38	0.94	95903	2.23
3001 - 4000	30	0.75	102811	2.40
4001 - 5000	24	0.59	107876	2.51
5001 - 10000	29	0.72	205171	4.77
10001 & above	32	0.79	2919336	67.89
TOTAL	4037	100.00	43000000	100.00



10. Dematerialisation of shares & liquidity:

As on 30th June 2008, 84.69% of total equity shares of the Company were held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Shares are available for dematerialisation under ISIN INE443E01016. Request for dematerialisation of shares are processed and generally confirmed within 21 days of receipt.

**SRI NACHAMMAI COTTON MILLS LIMITED****GENERAL SHAREHOLDERS INFORMATION (Contd..)****11. Plant Locations:****12. Address for Correspondence:****Registered office:**

No.30, Sugavaneswara Road,
Balaji Nagar, Salem – 636 004.

Registrar and Share Transfer Agent:

Cameo Corporate Services Limited,
'Subramanian Building' V Floor,
No.1, Club House Road, Chennai – 600 002.

13. CHIEF EXECUTIVE OFFICER (CEO) OR CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION, ISSUED PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT.

To the Board of Directors of Sri Nachammai Cotton Mills Limited.

Dear Sirs,

Sub : CEO / CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Sri Nachammai Cotton Mills Limited for the year ended 30th June ,2008 and that to the best of our knowledge and belief, we state that;

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) we have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in the internal control over financial reporting during the year.
 - (ii) significant changes in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

A. SUBRAMANIAN

Chief Financial Officer
Salem,
28th August 2008.

Yours sincerely,

P. PALANIAPPAN

Chairman cum Managing Director

14. Corporate Secretarial / Investors' Assistance Department:

The Company's Secretarial Department is headed by **Sri.V.Sundaramoorthy, Deputy General Manager/ Compliance Officer**. The department functions at the Registered Office mentioned above.

Salem
28th August, 2008

By Order of the Board,

P. PALANIAPPAN

Chairman cum Managing Director



SRI NACHAMMAI COTTON MILLS LIMITED

M.S. JAGANNATHAN & VISVANATHAN

CHARTERED ACCOUNTANTS

"M.S.S. MEMORIAL BUILDING" Post Box No.1029, No.6 D.B.Road, R.S.Puram, COIMBATORE- 641 002.

Auditors Certificate

To the Members of
M/s.SRI NACHAMMAI COTTON MILLS LIMITED,
Salem.

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to Compliance of conditions of Corporate Governance by M/s SRI NACHAMMAI COTTON MILLS LIMITED, for the year ended on June 30, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was Limited to the producers and implementation thereof, adopted by the Company for the insuring the compliance of the condition of the Corporate of Governance as stipulated in the said clause. Our examination was neither an audit nor was it conducted to express an 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 on the basis of our examination described above, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

On the basis of certificate issued by the share transfer agents we state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the shareholders/investors grievance committee.

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

For M.S.JAGANNATHAN & VISVANATHAN

Chartered Accountants

M.J. VIJAYARAAGHAVAN

Partner

Membership No. 7534

Place : Salem
Date : 28-08-2008.



SRI NACHAMMAI COTTON MILLS LIMITED

AUDITORS REPORT TO THE MEMBERS OF SRI NACHAMMAI COTTON MILLS LIMITED

1. We have audited the attached balance sheet of **SRI NACHAMMAI COTTON MILLS LIMITED** as at 30th JUNE 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 the 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, and as amended by the Companies (Auditor's report) Amendment order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 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) 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;
 - b) 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;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) 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 sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors, as on 30th JUNE 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th JUNE 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on that said date.
5. 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

Subject to: **Non-availability of confirmations in respect of sundry debtors, sundry creditors and loans and advances (note 10(b))**

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

- a) In the case of Balance Sheet, of the state of affairs of the company as at 30th JUNE 2008;
- b) In the case of Profit and Loss account, of the LOSS for the year ended on that date; and
- c) In case of the cash flow statement, of the cash flows for the year ended on that date;

For M.S.JAGANNATHAN & VISVANATHAN

Chartered Accountants

M.J. VIJAYARAAGHAVAN

Partner

Membership No. 7534

Place : Salem.

Date : 28-08-2008.



SRI NACHAMMAI COTTON MILLS LIMITED

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH [3] 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) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year discrepancies noticed on such physical verification were not materials and have been properly dealt with in books of Accounts.
 - c) There was no disposal of substantial part of fixed assets during the year and hence the going concern of the Company is not affected.
 - ii) a) Physical verification of Inventory has been conducted at reasonable intervals by the Management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The Company has maintained proper records of Inventory and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
 - iii) a) The Company during the year has not granted loans to a company covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) The Company during the year has taken loans amounting to Rs. 2,71,04,000/- from a company.
 - c) There is no stipulation for payment of periodical principal.
 - d) The Company has taken unsecured loans amounting to Rs.1,76,12,000/- from three parties covered in the register maintained under Sec.301 of the Companies Act, 1956. (The Maximum amount during the year was Rs.10,96,88,000/-).
 - e) The rate of interest and other terms and conditions in respect of unsecured loans taken by the Company are not prima facies prejudicial to the interest of the Company.
 - iv) a) In our opinion and accordance to the explanation and information given to us there are adequate internal control systems commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and for the sale of goods.
 - b) During the course of our Audit no major weakness has been noticed in the internal controls.
 - v) a) The transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register maintained for the purpose.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the Prevailing Market prices at the relevant time other than for Lease rent amounting to Rs.1,80,00,000/-for which no comparable Market prices were available and are considered to be of special nature as explained by the management of the Company.
 - vi) In our opinion and according to the information and explanations given to us the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the companies [Acceptances of Deposits] Rules 1975 with regard to the deposits accepted from the public. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
 - vii) On the basis of Internal audit report broadly reviews by us, we are of the opinion that, the coverage of Internal Audit functions carried by a Chartered Accountants appointed by the Management is commensurate with the size of the Company and the nature of its business.
-



SRI NACHAMMAI COTTON MILLS LIMITED

- viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination the records with a view to determine whether they are accurate or complete.
- ix) a) According to the information and explanations given to us and records examined by us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees, State Insurance, Income-tax, Sales-tax, VAT, Wealth tax, Service tax and any other statutory dues with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 30th June, 2008 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 sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- x) The Company has accumulated losses amounting to Rs.311.08 lacs as at 30th June, 2008. The Company has incurred cash losses amounting to Rs.69.94 lacs during the financial year covered by our audit. The accumulated losses does not exceed Fifty percent of the Net worth of the Company.
- xi) a) The Company has taken TUF Loan from Bank during the year amounting to Rs.1,71,57,600/-
- b) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any of the banks.
- xii) During the year, the company has not granted loans and advances 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, clause 4(xiii) of the Companies (Auditors Report) order 2003 is not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the company is not dealing or trading in Shares, Securities, debentures and other Investments.
- xv) In our opinion and according to the information and explanation given to us, the Company, during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion, and according to the information and explanation given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- 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 time basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the financial year and hence creation of security in respect of debentures does not arise.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For M.S.JAGANNATHAN & VISVANATHAN

Chartered Accountants

M.J. VIJAYARAAGHAVAN

Partner

Membership No. 7534

Place : Salem.

Date : 28-08-2008.



SRI NACHAMMAI COTTON MILLS LIMITED

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BALANCE SHEET AS AT 30.06.2008

	Schedule	As at 30.06.2008 Rs.	As at 30.06.2007 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	42,864,000	42,864,000
b) Reserves & Surplus	2	65,964,900	65,964,900
Total Shareholders' Funds	A	108,828,900	108,828,900
2. Loan Funds			
a) Secured Loans	3	240,862,273	190,318,252
b) Unsecured Loans	4	155,843,000	131,459,000
Total Loan Funds	B	396,705,273	321,777,252
3. Deferred Tax Liability (Net) (Refer Note No.18 of Schedule 26)	5	4,188,903	16,289,575
	C	4,188,903	16,289,575
Total	(A+B+C)	509,723,076	446,895,727
APPLICATION OF FUNDS			
1. Fixed Assets	6		
Gross Block		534,964,223	532,585,731
Less: Depreciation		364,312,602	345,032,940
Net Block		170,651,621	187,552,791
2. Capital Work in Progress-Buildings		-	408,798
3. Investments	7	1,513,348	1,463,600
4. Current Assets, Loans and Advances			
a) Inventories	8	360,125,356	258,332,986
b) Sundry Debtors	9	104,423,372	41,235,805
c) Cash and Bank Balances	10	20,487,658	9,446,307
d) Other Current Assets	11	7,112,372	2,905,306
e) Loans and Advances	12	40,714,554	47,503,031
	D	532,863,312	359,423,435
Less: Current Liabilities and Provisions			
a) Current Liabilities	13	224,990,435	115,444,672
b) Provisions	14	1,423,203	1,451,362
	E	226,413,638	116,896,034
Net Current Assets	(D-E)	306,449,674	242,527,401
Profit and Loss Account	15	31,108,433	14,943,137
Total		509,723,076	446,895,727

Schedules 1 to 15 form part of this Balance Sheet.

This is the Balance Sheet referred to in our report of even date

For **M.S.Jagannathan & Visvanathan**

Chartered Accountants

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

P.PALANIAPPAN

Chairman cum Managing Director

P.UMAYAL

Joint Managing Director

RM.UMAIYAL

AMRATHLAL A.GANDHI

A.ALAGAPPAN

A.ANNAMALAI

C.S.THIRUMALAI

PERUMAL MADHAVA GOPAL

Directors

Salem

28th August, 2008



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 27 - CASH FLOW STATEMENT

	30.06.2008	30.06.2007
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET (LOSS) / PROFIT BEFORE TAX AND EXTRA-ORDINARY ITEMS	(26,876,315)	(25,608,164)
Adjustments for:		
Depreciation	19,882,215	16,842,741
Interest Expenses	45,595,760	25,193,742
Dividend Income	(63,500)	(64,800)
Profit on Sale of Fixed Assets	(8,173)	200,739
Profit on Sale of Investments	(128,350)	-
Interest Received	(1,299,164)	(2,656,410)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	37,102,473	13,907,848
Changes in :		
Trade & Other Receivables	(60,482,444)	18,782,414
Inventories	(101,792,370)	35,867,110
Trade Payable	109,712,314	(21,756,014)
CASH GENERATED FROM OPERATING ACTIVITIES	(15,460,027)	46,801,358
Direct Taxes Paid Including FBT	(65,021)	(88,739)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	(15,460,027)	46,801,358
Extra-Ordinary Items	(1,381,380)	(1,468,909)
NET CASH FLOW FROM OPERATING ACTIVITIES	(16,906,428)	45,243,710
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,655,997)	(12,940,297)
Purchase of Investments	(346,500)	-
Sales of Fixed Assets	91,923	212,472
Sale of Investments	375,850	-
Dividend Received	63,500	64,800
Interest Received	1,175,452	3,243,398
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,295,772)	(9,419,627)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (Repayments) Long Term Loans (Net)	50,544,021	(12,239,261)
Proceeds / (Repayments) Short Term Loans (Net)	24,384,000	(2,644,541)
Interest paid	(45,684,470)	(26,126,243)
NET CASH FLOW FROM FINANCING ACTIVITIES	29,243,551	(41,010,045)
Net Changes in Cash and Cash Equivalent (A+B+C)	11,041,351	(5,185,962)
Cash and Cash Equivalent Opening	9,446,307	14,632,269
Cash and Cash Equivalent Closing	20,487,658	9,446,307
	11,041,351	(5,185,962)
Notes :		
Closing cash and equivalent consist of the following :		
Cash on Hand	419,666	111,908
Balances with Scheduled Banks:-		
In Current Accounts	8,061,631	3,022,806
Deposits Accounts		
LC Margin	11,389,000	5,575,000
FD Margin	36,750	70,500
LG Margin	266,100	343,100
In Unclaimed Dividend Account	314,511	322,993
Total	20,487,658	9,446,307

a) Of the above, Rs. 3,14,511/- is not available for use by the Company.

b) Previous Year comparatives have been reclassified to confirm to Current Year's presentation, wherever applicable.

This is the Cash Flow Statement referred to in our report of even date

For **M.S.Jagannathan & Visvanathan**

Chartered Accountants

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

Salem

28th August, 2008

P.PALANIAPPAN

Chairman cum Managing Director

P.UMAYAL

Joint Managing Director

RM.UMAIYAL

AMRATHLAL A.GANDHI

A.ALAGAPPAN

A.ANNAMALAI

C.S.THIRUMALAI

PERUMAL MADHAVA GOPAL

Directors



SRI NACHAMMAI COTTON MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30.06.2008

	Schedule	Year ended 30.06.2008 Rs.	Year ended 30.06.2007 Rs
INCOME			
Sales	16	831,392,215	585,840,886
Other Income	17	2,533,127	4,698,290
Accretion / (Depletion) in Stock	18	18,743,013	50,152,926
Total Income		852,668,355	640,692,102
EXPENDITURE			
Raw Materials Consumed	19	544,842,720	388,291,320
Stores Consumed		26,762,742	35,162,477
Conversion Charges		13,790,854	10,010,012
Power and Fuel		105,130,814	79,562,361
Personnel Cost	20	75,281,464	58,595,179
Administrative Expenses	21	9,419,057	8,860,152
Yarn Selling Expenses	22	2,939,688	2,193,442
Repairs	23	17,899,356	24,338,840
Lease Rent		18,000,000	17,250,000
Financial Charges	24	45,595,760	25,193,742
Depreciation		19,882,215	16,842,741
Total Expenditure		879,544,670	666,300,266
LOSS BEFORE TAX		(26,876,315)	(25,608,164)
Deferred Tax Asset / (Liability)		12,100,672	3,592,662
Fringe Benifit Tax		(59,671)	(88,739)
Fringe Benefit Tax for prior year		(5,350)	-
Excess Income Tax Provision Reversed		106,000	-
LOSS AFTER TAX		(14,734,664)	(22,104,241)
Bonus and Exgraita for Prior year		(1,381,380)	(1,468,909)
Dimunition in value of investments		(49,252)	-
DEFICIT TRANSFERRED TO BALANCE SHEET		(16,165,296)	(23,573,150)
Basic and Diluted Earnings per Share (Face Value of Rs.10/- each)		(3.77)	(5.50)

Schedules 16 to 24 form part of this Profit and Loss Account.

This is the Profit and Loss Account referred

to in our report of even date

For **M.S.Jagannathan & Visvanathan**

Chartered Accountants

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

P.PALANIAPPAN

Chairman cum Managing Director

P.UMAYAL

Joint Managing Director

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AMRATHLAL A.GANDHI

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A. ANNAMALAI

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PERUMAL MADHAVA GOPAL

Directors

Salem

28th August, 2008



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULES ANNEXED TO THE BALANCE SHEET

	As at 30.06.2008 Rs.	As at 30.06.2007 Rs.
Schedule 1 - Share Capital		
Authorised		
1,00,00,000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
Issued, Subscribed, Called and Paid-up		
43,00,000 Equity Shares of Rs. 10/- each	43,000,000	43,000,000
Less : Calls in Arrears (time barred)	136,000	136,000
Total	42,864,000	42,864,000
Note: Out of the above, 30,90,000 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus shares by Capitalisation of Reserves.		
Schedule 2 - Reserves and Surplus		
General Reserve		
As per Last Balance Sheet	8,000,000	8,000,000
Less : Debit balance in P&L Account adjusted as per contra	8,000,000	8,000,000
Total (A)	-	-
Securities Premium Account:-		
As per Last Balance Sheet	66,950,000	66,950,000
Less: Calls in Arrears (time barred)	985,100	985,100
Total (B)	65,964,900	65,964,900
Schedule 3 - Secured Loans		
Term Loans		
From Banks (IOB)		
Working Capital Loan	115,582,673	73,360,252
TUF Loan I	103,600,000	112,000,000
TUF Loan II	17,157,600	-
Term Loans	4,522,000	4,958,000
Total	240,862,273	190,318,252
Security:		
The Working Capital loan, TUF loan, Term Loans and Non-Fund limits are secured by first charge on entire block of assets both present and future and the Company's Chairman cum Managing Director and Joint Managing Director have given Personal guarantees for the above loans to the aggregate of Rs.4891.10 lacs.		
Schedule 4 - Unsecured Loans		
Fixed Deposits		
From Others	19,051,000	33,685,000
Loan from Directors	109,688,000	97,774,000
Inter Corporate Deposit	27,104,000	-
Total	155,843,000	131,459,000
Repayable within one year :		
On others	254,000	470,000
Schedule 5 - Deferral Tax Liability (Net) :-		
Deferred Tax Liability:-		
As per Last Balance Sheet	16,289,575	19,882,237
Less : Deferred tax Assets transferred to Profit and Loss account	12,100,672	3,592,662
Total	4,188,903	16,289,575



SRI NACHAMMAI COTTON MILLS LIMITED

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SCHEDULES ANNEXED TO THE BALANCE SHEET (Contd.)

Schedule 6 FIXED ASSETS

Year ended 30.6.2008

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 01.07.2007 Rs.	Additions during the year Rs.	Sales during the year Rs.	Cost as at 30.6.2008 Rs.	Up to 30.6.2007 Rs.	For the Year Rs.	Withdrawn Rs.	Up to 30.6.2008 Rs.	As at 30.6.2008 Rs.	As at 30.6.2007 Rs.
LAND	3,700,168 (3700168)	- -	- -	3,700,168 (3700168)	- -	- -	- -	- -	3,700,168 (3700168)	3,700,168 (3700168)
BUILDINGS	63,266,372 (58995056)	936,065 (4271316)	- -	64,202,437 (63266372)	22,157,988 (20375712)	1,874,742 (1782276)	- -	24,032,730 (22157988)	40,169,707 (41,108,384)	41,108,384 (38619344)
MACHINERY	413,778,646 (405569184)	1,720,185 (8209462)	103,158 -	415,395,673 (413778646)	287,496,905 (274564463)	15,509,613 (12932442)	35,770 -	302,970,748 (287496905)	112,424,925 (126281741)	126,281,741 (131004721)
ELEC. MACHINERY	37,629,221 (35603203)	20,280 (2026018)	375,450 -	37,274,051 (37629221)	24,836,179 (23243916)	1,964,035 (1592263)	369,473 -	26,430,741 (24836179)	10,843,310 (12793042)	12,793,042 (12359287)
COMPUTER	5,479,634 (5365402)	7,900 (114232)	- -	5,487,534 (5479634)	4,559,951 (4354461)	190,655 (205490)	- -	4,750,606 (4559951)	736,928 (919683)	919,683 (1010941)
FURNITURE	3,256,348 (3229448)	- (26900)	- -	3,256,348 (3256348)	2,302,629 (2175618)	123,415 (127011)	- -	2,426,044 (2302629)	830,304 (953719)	953,719 (1053830)
TOOLS	843,007 (843007)	- -	- -	843,007 (843007)	451,162 (397329)	72,235 (53833)	- -	523,397 (451162)	319,610 (391845)	391,845 (445678)
MOTOR VEHICLES	4,612,133 (5877524)	380,365 -	207,695 (1265391)	4,784,803 (4612133)	3,208,341 (3911187)	147,445 (149334)	197,310 (852180)	3,158,476 (3208341)	1,626,327 (1403792)	1,403,792 (1966337)
BANDY	20,202 (20,202)	- -	- -	20,202 (20,202)	19,785 (19,693)	75 (92)	- -	19,860 (19,785)	342 (417)	417 (509)
TOTAL	532,585,731	3,064,795	686,303	534,964,223	345,032,940	19,882,215	602,553	364,312,602	170,651,621	187,552,791



SRI NACHAMMAI COTTON MILLS LIMITED

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SCHEDULES ANNEXED TO THE BALANCE SHEET (Contd.)

	As at 30.06.2008 Rs.	As at 30.06.2007 Rs.
Schedule 7 - Long Term Investments (at cost) :-		
Non-Trade (quoted)		
6600 Equity Shares of Rs. 100/- each fully paid-in Cholamandalam DBS Finance Ltd	759,000	660,000
Less : Provision for Diminution in Value of Investments	49,252	-
	<u>709,748</u>	<u>660,000</u>
10600 Equity Shares of Rs.10/- each fully paid-up in Indian Overseas Bank	153,600	153,600
Partly paid-up		
17800 Equity Shares of Rs. 10/- each partly paid-up Rs.5/- in Industrial Development Bank of India	650,000	650,000
Total	<u>1,513,348</u>	<u>1,463,600</u>
Aggregate value of Quoted Investments (Cost)	1,513,348	1,463,600
Market value of Quoted Investments	1,638,540	2,410,010
Schedule 8 - Inventories		
(As certified by the Chairman cum Managing Director)		
Stock of Stores, Spares and Canteen provisions	6,344,678	10,342,857
Stock in Trade		
Raw materials	224,610,442	137,562,906
Process Stock	25,602,742	22,771,915
Cotton Waste	1,172,110	659,314
Finished Goods	102,395,384	86,995,994
Total	<u>360,125,356</u>	<u>258,332,986</u>
(For valuation refer Significant Accounting Policies)		
Schedule 9 - Sundry Debtors		
Unsecured and considered good		
Outstanding for more than six months	13,292,580	13,995,959
Others	91,130,792	27,239,846
Total	<u>104,423,372</u>	<u>41,235,805</u>
Schedule 10 - Cash and Bank Balances		
Cash on Hand	419,666	111,908
Balances with Scheduled Banks:-		
In Current Accounts	8,061,631	3,022,806
In Deposits Accounts		
LC Margin	11,389,000	5,575,000
FD Margin	36,750	70,500
LG Margin	266,100	343,100
In Unclaimed Dividend Account	314,511	322,993
Total	<u>20,487,658</u>	<u>9,446,307</u>



SRI NACHAMMAI COTTON MILLS LIMITED

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SCHEDULES ANNEXED TO THE BALANCE SHEET (Contd.)

	As at 30.06.2008 Rs.	As at 30.06.2007 Rs.
Schedule 11 - Other Current Assets		
Interest accrued on Deposits	173,008	49,296
Insurance Claim Receivable	-	25,000
Hank Yarn Obligation Receivable	105,000	54,024
Interest subsidy (TUF Loan-I) Receivable	6,834,364	2,776,986
Total	7,112,372	2,905,306
Schedule 12- Loans and Advances		
Unsecured and considered good recoverable in cash or in kind or for value to be received		
Due from Employees	273,796	3,780,534
Advance for Purchases	1,644,320	2,256,824
Advance for Purchase of Capital Equipments	22,081,548	17,599,786
Mat Tax Credit Entitlement	1,293,226	1,293,226
Advance for Taxes (including TDS and FBT)	910,994	662,123
Advance to Others	801,788	860,576
Deposits	11,440,161	15,473,120
Balances with Sales Tax, TNEB etc.	216,639	4,235,111
Prepaid Expenses	2,052,082	1,341,731
Total	40,714,554	47,503,031
Schedule 13 - Current Liabilities		
Acceptances	113,767,196	42,311,604
Creditors for Purchases		
a) Due to Micro, Small & Medium Enterprises	1,698,226	576,683
b) Others	50,248,954	43,864,528
Creditors for Expenses	23,562,185	26,415,858
Other Liabilities	35,366,551	1,828,484
Interest accrued but not due	27,812	116,522
Investor Education and Protection Fund (IEPF):-		
a) Unclaimed Dividend	314,511	322,993
b) Unpaid Matured Deposits	5,000	8,000
(There is no amount due and outstanding as at balance sheet date to be credited to above fund)		
Total	224,990,435	115,444,672
Schedule 14 - Provisions		
Provision for Taxes	1,294,000	1,400,000
Provision for Fringe Benefit Tax	83,553	23,882
Provision for Leave Encashment	45,650	27,480
Total	1,423,203	1,451,362
Schedule 15 - Profit and Loss Account		
As per last Balance Sheet	(22,943,137)	-
Deficit transferred from Profit and Loss Account	(16,165,296)	(22,943,137)
	(39,108,433)	(22,943,137)
Transfer from General Reserve adjusted as per contra	8,000,000	8,000,000
Deficit transferred to Balance Sheet	(31,108,433)	(14,943,137)



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULES ANNEXED TO PROFIT AND LOSS ACCOUNT

	Year ended 30.06.2008 Rs.	Year ended 30.06.2007 Rs.
Schedule 16 - Sales		
Gross Sales - Cotton Yarn	768,031,191	574,065,155
Fabric	56,855,126	3,606,859
Cotton Waste	6,505,898	8,168,872
Total	831,392,215	585,840,886
Schedule 17 - Other Income		
Interest Receipts	1,299,164	2,656,410
Dividend Receipts	63,500	64,800
Profit on Sale of Assets (Net)	8,173	-
Profit on Sale of Investment	128,350	-
Miscellaneous Income	623,570	805,628
Hank Yarn Obligation	372,575	543,344
Insurance Claim Received	37,795	618,159
Gain in Foreign Exchange Fluctuation	-	9,949
Total	2,533,127	4,698,290
TDS		
On Interest Receipts	179,121	594,978
Schedule 18 - Accretion (Depletion) in stock		
Closing Stock:		
Process Stock	25,602,742	22,771,915
Finished Goods	102,395,384	86,995,994
Waste	1,172,110	659,314
Total (A)	129,170,236	110,427,223
Opening Stock:		
Process Stock	22,771,915	19,032,198
Finished Goods	86,995,994	38,793,018
Waste	659,314	2,449,081
Total (B)	110,427,223	60,274,297
Accretion/(Depletion) in Stock (A-B)	18,743,013	50,152,926
Schedule 19 - Raw material consumed		
Opening Stock :		
Raw Material	137,562,906	218,320,182
Add : Purchases	631,890,256	307,534,044
Total (A)	769,453,162	525,854,226
Less : Closing Stock:		
Raw Material	224,610,442	137,562,906
Total (B)	224,610,442	137,562,906
Raw Material Consumed (A-B)	544,842,720	388,291,320



SRI NACHAMMAI COTTON MILLS LIMITED

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SCHEDULES ANNEXED TO PROFIT AND LOSS ACCOUNT (Contd.)

	Year ended 30.06.2008 Rs.	Year ended 30.06.2007 Rs.
Schedule 20 - Personnel Cost		
Salaries, Wages and Bonus	56,839,820	44,820,640
Gratuity	763,585	768,813
PF, ESI & Other funds	7,321,783	3,980,672
Welfare Expenses	7,137,400	5,995,619
Chairman cum Managing Director Remuneration	1,520,484	1,511,118
Joint Managing Director Remuneration	1,698,392	1,518,317
Total	75,281,464	58,595,179
Schedule 21 - Administrative Expenses		
Advertisement, Lighting, Postage etc	3,102,962	3,897,673
Professional Fees	311,622	184,606
Travelling Expenses	392,968	70,663
Telephone Expenses	304,592	390,174
Legal Expenses	119,900	177,224
Printing and Stationaries	480,508	405,223
Insurance	889,822	1,550,830
Taxes and Licence Fees	3,259,008	1,238,868
Auditors' Remuneration	80,793	82,647
Directors' Sitting Fees	44,000	35,000
Rent Paid	432,882	413,540
Loss on Sale of Assets (Net)	-	200,739
Bad Debts Written Off	-	212,965
Total	9,419,057	8,860,152
Schedule 22 - Yarn Selling Expenses		
Brokerage and Selling Expenses	2,939,688	2,193,442
Total	2,939,688	2,193,442
Schedule 23 - Repairs		
Building	8,804,430	5,780,736
Machinery	5,053,273	13,478,726
Others	4,041,653	5,079,378
Total	17,899,356	24,338,840
Schedule 24 - Financial Charges		
Interest		
- Interest on Fixed Loan (Including Directors Loan)	23,600,406	19,697,599
- On Others	21,995,354	5,496,143
Total	45,595,760	25,193,742



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 25 - SIGNIFICANT ACCOUNTING POLICIES

(In the order of applicability of Accounting Standards)

AS - 1: DISCLOSURE AND BASIS OF ACCOUNTING:

- (i) The Financial Statements have been prepared under the Historical cost convention which is in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards Prescribed by the Institute of Chartered Accountants of India and as referred Under Section 211 (3c) of the Companies Act, 1956.
- (ii) The Company has been consistently following the accrual basis of Accounts in respect of its Income and Expenditure except dividend.
- (iii) The Accounts are prepared on the basis of going concern concept.

AS - 2: VALUATION OF INVENTORIES:

- a) Stock of Stores and Spares are valued at weighted average cost.
 - b) Raw materials are valued at lower of cost or net realisable value.
 - c) Process Stock is valued at cost.
 - d) Waste is valued at realisable value.
 - e) Finished Goods are valued at lower of the cost or net realisable value.
- The cost includes cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

AS - 3: CASH FLOW STATEMENT:

Cash flows are reported using the indirect method, where by the profit before tax is adjusted for the effect of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalent include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash equivalent balances that are not available for use by the company.

AS - 5: NET (LOSS) / PROFIT FOR THE PERIOD AND PRIOR PERIOD ITEMS:

- a) All items of income and expenses in the period are included in arriving at the net loss for the year, unless specifically mentioned elsewhere in the financial statement or is required by an Accounting Standard.
- b) Prior year items are disclosed separately in the Profit & Loss Account below the line.

AS - 6: DEPRECIATION ACCOUNTING:

Depreciation on Fixed Assets has been provided as per Schedule XIV of the Companies Act, 1956 adopting the methods as under:

- i) On Assets acquired before 01.04.1990 - Written Down Value Method.
- ii) On Assets acquired from 01.04.1990 - Straight Line Method
- iii) In respect of all assets purchased or sold during the year, depreciation has been provided at the above rates on pro-rata basis from the date of purchase / to the date of sale including assets whose cost is below Rs.5,000/-.

AS - 9: REVENUE RECOGNITION:

- a) Revenue from sale transactions is recognized as and when the goods sold is transferred to the buyer for a definite consideration.
- b) Other Income except dividend is accounted on accrual basis.
- c) Sales as reported are exclusive of Sales Tax (VAT), Insurance and Transport charges.

AS - 10: FIXED ASSETS:

Fixed Assets are shown at historical cost of acquisition including installation, commissioning less accumulated depreciation

AS - 11: FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences are recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates and recognised as income or expenses in the profit and loss account in other cases.

The premium on discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal exchange contract is recognized as income or as expense in the period in which they arise.



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 25 - SIGNIFICANT ACCOUNTING POLICIES (Contd..)

AS - 13: INVESTMENTS:

Investments are shown at cost. Diminution in the value of long-term investments other than temporary is provided for.

AS - 15: EMPLOYEE BENEFITS

Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.

Defined Contribution Plans : Company's contributions paid / payable during the year to Provident Fund and Superannuation Fund are recognized in the profit and loss account.

Defined Benefit Plans : Company's Liabilities towards gratuity are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the government bonds consistent with the currency and estimated terms of the defined benefit obligations.

AS - 16: BORROWING COSTS:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

AS - 19: LEASE:

Operational Lease rents are expensed over the lease period as per the agreement.

AS - 20: EARNINGS PER SHARE:

The Earnings considered in ascertaining the Company's earning per share comprise of Net Profit after tax and include post tax adjustments of prior period and extra-ordinary items.

AS - 22: ACCOUNTING FOR TAXES ON INCOME:

Deferred Tax for timing differences between the book and tax profit for the year is accounted for, using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date. Deferred Tax Assets arising from timing differences are recognised to the extent there is a reasonable certainty that these would be realised in future.

AS - 28: IMPAIRMENT OF ASSETS:

An asset is impaired when the carrying amount of the assets exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

AS - 29: PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS:

- Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources.
- Contingent liabilities are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.
- Contingent liability under various fiscal laws includes those in respect of which the Company / Department is in appeal.

OTHERS:

Current Tax: Current Tax Provision are provided after applying relevant provision and rules applicable for the previous year under the Income Tax Act, 1961.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to the estimates is recognized prospectively.



SRI NACHAMMAI COTTON MILLS LIMITED

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SCHEDULE 26 - NOTES FORMING PART OF ACCOUNTS

1. Contingent Liabilities not provided for:

- The Company has undertaken export obligation under EPCG Scheme to Export worth of Rs.6,86,79,416/- spread over a period of 8 years from 2004 failing which additional customs duty of Rs.78,18,001/- along with interest at the appropriate rate shall be payable. Of the above, the company has fulfilled obligation to the extent of Rs.86,75,790/- upto 30.06.2008.
- The Bank has given guarantees for Rs.27,04,465/- (previous year - Rs.34,31,000/-) towards payment of customs duty in respect of import of Machinery.

	As at 30.06.2008 Rs.	As at 30.06.2007 Rs.
(c) Future Lease rental payable	75,96,774	91,45,161
(d) The amount called up but not paid for IDBI Shares including interest	57,02,233	53,01,296
2. Estimated amount of contracts remaining to be executed on Capital account	20,39,51,000	19,92,50,000
3. Tax amounting to Rs.3,81,073/- was paid under protest to Sales Tax Department against the demand on treating premium on Hank Yarn Obligation as sales for the assessment years 1997-1998, 2002-2003 & 2004-2005. However, the Company after paying the above demand under protest, has appealed and the matter is pending before the Sales Tax Tribunal.		

4. Additional Information pursuant to the Provisions of Paragraph 3,4 and 4c of part II Schedules VI of the Companies Act, 1956

Quantitative and other particulars :

- Production Capacity
 - Licensed Capacity
 - Installed Capacity

— Delicensed —

Spindles 36,912 36,912

(Installed capacity are as certified by the Chairman cum Managing Director but not verified by the Auditors being a Technical Matter)

		For the Year ended 30.06.2008	30.06.2007
(ii) Turnover			
a. Sale of Cotton Yarn	Kgs.	77,10,862	58,43,394
	Rs.	76,80,31,191	57,40,65,155
b. Sale of Fabric	Kgs.	5,02,776	27,600
	Rs.	5,68,55,126	36,06,859
c. Sale of Waste	Kgs.	7,73,012	8,54,452
	Rs.	65,05,898	81,68,872
(iii) Production - Cotton Yarn	Kgs.	82,14,929*	63,44,906*
(iv) Raw Material Consumption Cotton	Kgs.	1,06,50,325	81,75,746
	Rs.	54,48,42,720	38,82,91,320
(v) Stock of Finished Goods & Waste			
a. Cotton Yarn			
Opening Stock	Kgs.	7,93,713	3,29,569
	Rs.	8,69,95,994	3,87,93,018
Closing Stock	Kgs.	7,80,340	7,93,713
	Rs.	10,23,95,384	8,69,95,994
b. Waste			
Opening Stock	Kgs.	43,003	1,19,179
	Rs.	6,59,314	24,49,081
Closing Stock	Kgs.	40,729	43,003
	Rs.	11,72,110	6,59,314
(*includes inter unit transfer and own consumption- 14662 kgs, previous year - 9768 kgs)			
(vi) a. Value of Imports: CIF Value			
i) Raw Material		NIL	NIL
ii) Components and Spares		2,14,102	52,53,804
iii) Capital Goods		3,33,060	81,69,608



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 26 - NOTES FORMING PART OF ACCOUNTS (Contd..)

For the Year ended

		30.06.2008		30.06.2007	
		Value	%	Value	%
		Rs.		Rs.	
b. Consumption					
i) Raw Materials					
Imported		-	-	-	-
Indigenous		54,48,42,720	100.00	38,82,91,320	100.00
Total		54,48,42,720	100.00	38,82,91,320	100.00
ii) Spares & Components					
Imported		2,84,272	1.06	57,19,736	16.27
Indigenous		2,64,78,470	98.94	2,94,42,741	83.73
Total		2,67,62,742	100.00	3,51,62,477	100.00
		As at		As at	
		30.06.2008		30.06.2007	
		Rs.		Rs.	
(vii) Expenditure in foreign currency on account of Sales promotion, travelling, etc.		NIL		NIL	
(viii) Earning in foreign exchange on account of export of goods (FOB Value yarn)		NIL		NIL	
(ix) (a) Remittance during the year in foreign currencies on account of dividends to non-resident Shareholders		NIL		NIL	
(b) Number of Non-resident Shareholders		8		6	
(c) Number of shares held by them		11228		11118	
(d) Year to which the Dividend relates		NIL		NIL	
5. Particulars of remuneration to the Chairman cum Managing Director and Joint Managing Director (Minimum)					
		Sri. P. PALANIAPPAN		Smt. P. UMayal	
		Chairman cum Managing Director		Joint Managing Director	
		For the year ended			
		30.06.2008	30.06.2007	30.06.2008	30.06.2007
		Rs.	Rs.	Rs.	Rs.
Salary		15,00,000	15,00,000	15,00,000	15,00,000
Provident Fund		9,360	---	9,360	9,360
Personal Accident Insurance		5,124	5,118	8,966	8,957
Club Subscription		6,000	6,000	---	---
Medical Expenses		---	---	1,80,066	---
Total		15,20,484	15,11,118	16,98,392	15,18,317
6. Calculation of Chairman cum Managing Director and Joint Managing Director Remuneration					
		30.06.2008		30.06.2007	
		Rs.		Rs.	
Net (Loss) / Profit for the year		(2,68,76,315)		(2,56,08,164)	
Add: Book Depreciation		1,98,82,215		1,68,42,741	
Chairman cum Managing Director Remuneration (minimum)		15,20,484		15,11,118	
Joint Managing Director Remuneration (minimum)		16,98,392		15,18,317	
Directors Sitting Fees		44,000		35,000	
Loss on Sales of Assets (Net)		---		2,00,739	
		2,31,45,091		2,01,07,915	
		(37,31,224)		(55,00,249)	
Less: Depreciation U/s 350		(1,98,82,215)		(1,68,42,741)	
Profit on sale of Assets (Net)		(8173)		-	
Profit on sale of Investments		(1,28,350)		-	
		(2,37,49,962)		(2,23,42,990)	
Brought forward Loss		(2,43,26,127)		(19,83,137)	
Balance of loss carried forward		(4,80,76,089)		(2,43,26,127)	

(Commission not payable due to inadequacy of Profits in terms of Section 198 of the Companies Act, 1956)



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 26 - NOTES FORMING PART OF ACCOUNTS (Contd..)

7. Auditors' Remuneration (including Service Tax)

	For the Year ended	
	30.06.2008	30.06.2007
	Rs.	Rs.
Audit Fees	47,191	47,191
Tax Matters	5,618	5,618
Certificate Fees	14,284	13,470
I.T. Representation Fees	5,200	5,618
Travelling Expenses	8,500	10,750
Total	80,793	82,647

8. Interest on Fixed Loans disclosed under financial charges is net of interest subsidy on TUF Loan amounting to Rs.54,38,200/- (Previous year Rs.55,98,627/-)
9. (a) Income Tax Assessment upto the year ended 31.03.2006 (AY - 2006/2007) has been completed.
(b) Sales Tax Assessment upto the year ended 31.03.2006 has been completed.
10. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given below:

	30.06.2008	30.06.2007
a) Principal amount due	--	--
Interest due on above	--	--
b) Interest paid during the period beyond the appointed date	--	--
c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	--	--
d) Amount of interest accrued and remaining unpaid at the end of the period	--	--
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under Sec 23 of the Act	--	--

The above information and that given in Schedule Current Liabilities regarding Micro, Small and Medium enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.

(b) Based on information available with the Company regarding the status of suppliers and dues to Small Scale Industrial Units to whom payments are outstanding for a period exceeding 30 days are given below:

1. B.M.M., Paper Board (P) Ltd., 2. Eco Super Pack 3. Supreme Poly Packs 4. Yellow Hammer Accessories

11. (a) In the opinion of Directors, current assets, loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business.
(b) Balances of certain sundry debtors, advances and sundry creditors are subject to confirmation / reconciliation, as the Company has received replies only from few parties for the confirmation statements sent by the Company. The adjustments thereof, if any, having an impact of revenue nature will be made in the year in which the same are finalized and settled.
12. Amount of Sales Tax / Value Added Tax of Rs.1,70,36,353/- collected on Sales has not been included in the Turnover of the Company.



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 26 - NOTES FORMING PART OF ACCOUNTS (Contd..)

Disclosures as required under Accounting Standards:-

13. Gratuity Disclosure (AS-15)

Gratuity Funded

1	Financial year of valuation	01.07.07 to 30.06.08
A	Movements during the financial year (For definitions of 2,3,4,5 & 9 below refer AS 15 (revised 2005) Para 7 Definitions.	
1	Movement period in years	1
2	Present Value of Benefit Obligations as at beginning of the period in Rs.	13705294
3	Interest Cost assuming that claims paid in middle of financial year	1032353
4	Current service cost in Rs.	776685
5	Past Service cost in Rs.	0
6	Curtailment cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005)	0
7	Settlement cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005)	0
8	Benefits paid in Rs.	1633175
9	Actuarial gain/loss on benefit obligations(experience Adjustment) in Rs.	-372118
10	Present Value of Benefit Obligations as at the end of the period in Rs. (9)=(10)-(2)-(3)-(4)-(5)-(6)-(7)+(8) Note: Actuarial gain/loss is the balancing item. Gratuity valuation as on 30.06.2008	13509039
		01.07.07 to 30.06.08
A	Movements in respect of Plan Assets during the valuation year	
1	Fair value of Plan Assets at the beginning in Rs.	13290203
2	Expected rate of return on Plan Assets per unit (see Part I C 3)	0.0925
3	Expected return of return on Plan Assets assuming that movements occur in mid year	1195846
4	Contributions received during the financial year	892511
5	Benefits paid (claims settled)	1633175
6	Actuarial Gain/Loss on plan assets in Rs. A6 = A7-A1-A3-A4+A5 is the balancing item	-11755
7	Fair value Plan Assets at the end of the Financial year in Rs.	13733630
B	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.	
1	Actuarial Gain/Loss on Benefit Obligations in Rs.	-372118
2	Actuarial Gain/Loss on plan assets in Rs.	-11755
3	Net Actuarial Gain/Loss recognised in the Financial Year in Rs. B3 = B1-B2	-360364
C	Expenses recognised in the Profit and Loss Account	
1	Interest cost on Benefit Obligations	1032353
2	Current Service cost on Benefit Obligations	776685
3	Past Service cost on Benefit Obligations	0
4	Curtailment cost/(credit)	0
5	Settlement cost/(credit)	0
6	Expected return on Plan Assets	1195846
7	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.	-360364
8	Expenses recognised in the Profit and Loss Account C8=C1+C2+C3+C4+C5-C6+C7	252829
D	Liability recognised in the Profit and Loss Account	
1	Actuarial Present value of Benefit Obligations at the end of the financial year in Rs.	13509039
2	Fair value Plan Assets at the end of the Financial year in Rs.	13733630
3	Funded Status at the end of the financial year in Rs.	224591
E	Expected return on Plan Assets (Part III A3 above) in Rs.	1195846
2	Actuarial Gain/Loss on plan assets (Part III B2) in Rs.	-11755
3	Actual return on Plan assets (E1+E2) in Rs.	1184091
F	Balance Sheet Reconciliation	
1	Expenses recognised C8	252829
2	Add Net unrecognised liability at the beginning of the financial year in Rs.	415091
3	Less contribution received A4	892511
4	Closing unfunded Status =F1+F2+F3 = -D3	-224591
5	The unfunded status shown in F4 above is the balance sheet liability for the company (provision for the year)	



SRI NACHAMMAI COTTON MILLS LIMITED

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- 2. Assumptions:**
- | | | |
|---------------------------------------------------|------------------------|-----------------|
| | 30.06.08 | 30.06.07 |
| (a) Interest Rate for discount per unit per annum | 0.08 | 0.075 |
| (b) Salary escalation rate per unit per annum | 0.035 | 0.035 |
| (c) Mortality Rate | LIC 1994-96 Rates | |
| (d) Attrition Rate | No explicit assumption | |
| (e) Disability / ill health retirement | No explicit assumption | |
3. The estimates of salary escalation considered in Actuarial valuation taken into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
4. The excess funding of Rs.2,24,591/- over and above the liability determined as per Actuarial valuation is included under prepaid expenses.
- 14. Segment Report (AS-17)**
The Company is engaged in the business of manufacturing yarn which comes under a single segment. Hence, Segment reporting is not applicable to the Company for the year under review.
- 15. Related Party Disclosure (AS-18) (as identified by the Management):**
- i) Names of related parties and description of relationship:
- | | |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| (a) Associates | : Supreme Yarn Spinners Ltd
: Raja Yarns Private Limited |
| (b) Key Management Personnel | : 1. Sri. P.Palaniappan, Chairman cum Managing Director
: 2. Smt. P.Umayal, Joint Managing Director. |
| (c) Relatives of Key Management Personnel | : 1. Smt. Geethanjali Ramasamy
: 2. Smt. RM.Umayal
: 3. Sri. P.Palaniappan (HUF)
: 4. Sri. MC.Ramasamy (HUF) |

ii) Related Party Transactions :

Nature of Transactions	Associates (Rs. in lacs)		Key Management Personnel (Rs. in lacs)		Relatives of Key Management Personnel (Rs.in lacs)	
	30.06.08	30.06.07	30.06.08	30.06.07	30.06.08	30.06.07
Corporate Loan taken	271.68	--	--	--	--	--
Corporate Loan Given	--	52.35	--	--	--	--
Unsecured Loan taken	--	--	174.02	296.92	2.10	1.37
Unsecured Loan repaid	0.64	--	55.03	326.66	1.95	1.37
Interest received on Corporate Loan given	--	2.36	--	--	--	--
Rendering of Services	11.34	16.63	--	--	--	--
Lease Rent Given	180.00	172.50	--	--	--	--
Managerial Remuneration	--	--	32.19	30.29	--	--
Sitting Fees paid	--	--	--	--	0.04	0.04
Fixed Deposits Received	--	--	--	--	55.55	307.00
Interest Paid on Unsecured Loans	10.07	--	123.59	117.24	1.02	1.00
Interest Paid on Fixed Deposits	--	--	--	0.30	31.79	30.52
Outstanding Payables as on 30 th June	271.04	--	1087.90	968.91	196.21	339.11
Outstanding Receivable as on 30 th June	--	--	--	--	--	--

16. Lease Disclosure (AS-19):

Disclosure of operating lease taken by the Company as per AS-19 are as follows:

- a) The Company has taken the entire Fixed Assets of Supreme Yarn Spinners Limited under cancelable operating lease, which are normally renewed on expiry.
- b) Future minimum lease rent payable is as follows:

	30.06.2008	30.06.2007
	(Rs.)	(Rs.)
- Not later than one year	75,96,774/-	91,45,161/-
- Later than one year but not more than 5 years	--	--
- More than 5 years	--	--



SRI NACHAMMAI COTTON MILLS LIMITED

SCHEDULE 26 - NOTES FORMING PART OF ACCOUNTS (Contd..)

17. Earnings Per Share (AS-20) :

Particulars		For the year ended 30.06.2008	For the year ended 30.06.2007
Net (Loss) / Profit after Tax and Adjustment	Rs.	(1,61,65,296)	(2,35,73,150)
Weighted average No. of Equity Shares (of Rs. 10/- each)	Nos.	42,86,400	42,86,400
Basic and diluted Earnings per share (of Rs. 10/- each)	Rs.	(3.77)	(5.50)

18. Deferred Tax Liability / (Asset) (AS-22):

The Company has created Deferred Tax Asset of Rs.1,21,00,672/- during the year ended 30.06.2008 which is arrived as under:

	Opening As on 30.06.2007	Adjustments for the year	As on 30.06.2008
	Rs.		Rs.
Deferred Tax Liability:			
On Depreciation	20014231	-	20014231
43 B Bonus	1211760	-	1211760
	<u>21225991</u>	-	<u>21225991</u>
DEFERRED TAX ASSET			
43 B Bonus	1211760	-	1211760
Unabsorbed Depreciation	3724656	12100672	15825328
Total	<u>4936416</u>	<u>12100672</u>	<u>17037088</u>
NET DEFERRED TAX LIABILITY/ (ASSETS)	16289575	-12100672	4188903

19. Disclosure as required under listing agreement:

Statement of loans and advances to associates: (As required under clause 32 of listing agreement with the stock exchanges)

To associates: Rs. NIL

20. Current year figures have been rounded off to the nearest rupee and figures in respect of the previous year have been regrouped and reclassified wherever necessary.

Signatures to Schedules, Accounting Policies and notes on account.

As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants
M.J.VIJAYARAAGHAVAN
Partner
M.No.7534

P.PALANIAPPAN
Chairman cum Managing Director
P.MAYAL
Joint Managing Director

RM.UMAIYAL
AMRATHLAL A.GANDHI
A.ALAGAPPAN
A.ANNAMALAI
C.S.THIRUMALAI
PERUMAL MADHAVA GOPAL
Directors

Salem
28th August, 2008

PART IV - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**SRI NACHAMMAI COTTON MILLS LIMITED****IV. Performance of Company (Amount in Rs. Thousands)**

Turnover & Other Income

			8	5	2	6	6	8
--	--	--	---	---	---	---	---	---

Total Expenditure

			8	7	9	5	4	4
--	--	--	---	---	---	---	---	---

+ - Profit / Loss Before Tax

	✓			-	2	6	8	7	6
--	---	--	--	---	---	---	---	---	---

+ - Profit / Loss After Tax and prior year items

	✓			-	1	6	1	6	5
--	---	--	--	---	---	---	---	---	---

Earning Per Share in Rs.

			(3	.	7	7)
--	--	--	---	---	---	---	---	---

Dividend %

	N	I	L
--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company
(as per monetary terms)**

Item Code No.	5	2	0	5	1	1	0	1
---------------	---	---	---	---	---	---	---	---

Product Description	C	O	T	T	O	N		Y	A	R	N
---------------------	---	---	---	---	---	---	--	---	---	---	---

Item Code No.	9	2	0	8	-	1	1
---------------	---	---	---	---	---	---	---

Product Description	F	A	B	R	I	C
---------------------	---	---	---	---	---	---

As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants
M.J.VIJAYARAAGHAVAN
Partner
M.No.7534

P.PALANIAPPAN
Chairman cum Managing Director
P.UMAYAL
Joint Managing Director

RM.UMAIYAL
AMRATHLAL A.GANDHI
A.ALAGAPPAN
A.ANNAMALAI
C.S.THIRUMALAI
PERUMAL MADHAVA GOPAL
Directors

Salem
28th August, 2008

SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office : 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

ATTENDANCE SLIP

Name of the Member		Folio No.	
DP ID No.		Client ID No	
Name of the Proxy		No. of shares	

I hereby record my presence at the 28th Annual General Meeting to be held on 16th December, 2008 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016.

.....
Signature of attending Member / Proxy

Note : Shareholder / Proxyholder wishing to attend the meeting must bring the Attendance slip to the Meeting and hand it over at the entrance duly filled and signed.

SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

PROXY FORM

I / We
of in the district of
being a member / members of SRI NACHAMMAI COTTON MILLS LIMITED, hereby appoint of in the district of
or failing him
of in the district of
as my / our proxy to attend and vote for me / us on my / our behalf at the 28th Annual General Meeting to be held on 16th December, 2008 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016 and at any adjournment thereof.

Signed this day of 2008

FOR OFFICE USE ONLY	
Folio No.	
DP ID No.	
Client ID No.	
No. of Shares	
Date of receipt	
Proxy No.	

Signature

Affix
Re.1
Revenue
Stamp

Note : An instrument appointing a Proxy shall be deposited at the Registered Office of the Company not less than Forty eight hours before the time for holding the aforesaid meeting.

BOOK - POST

TO

If undelivered, please return to :

SRI NACHAMMAI COTTON MILLS LIMITED,

Registered Office : 30, Sugavaneswara Road,

Balaji Nagar, Salem - 636 004.