

Auditors' Report

Fenner (India) Ltd.

TO THE MEMBERS

We have audited the attached Balance Sheet of **Fenner (India) Limited**, as at 31st March 2010 and also the Profit & Loss account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 (collectively the Order) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information & explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 it appears from our examination of those books;
- c) The Balance Sheet, Profit & 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 & 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 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2010;
 - ii) In the case of Profit and Loss account, of the profit for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

New Delhi
26th July, 2010



Annexure to the Auditors' Report referred to in our report of even date.

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Verification of the fixed assets is being conducted based on a programme by the management designed to cover all assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and nature of its business. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of account.
 - (c) Fixed assets disposed off during the year were not substantial.
2. (a) The inventory has been physically verified during the year by the management at reasonable intervals in respect of finished goods, stores & spare parts and raw materials, at all its locations, except stocks lying with third parties and in transit which have been verified with reference to correspondence of third parties or subsequent receipts of goods. In our opinion, the frequency of such verification is reasonable.
 - (b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the company and nature of its business.
 - (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The company has not granted any loan, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. As there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
 - (b) The company has taken deposit from two directors covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year end balance of such deposits are ₹45.00 lacs.
 - (c) In our opinion and according to information and explanations given to us, the rate of interest and other terms & conditions on which deposits have been taken are not, prima facie, prejudicial to the interest of the company.
 - (d) In respect of the aforesaid deposits, the company is regular in repayment of the principal amount and interest due thereon as per the terms of acceptance. There are no overdue amounts at the year end.
4. In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control systems.
5. (a) To the best of our knowledge and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be

entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.

6. In respect of fixed deposits accepted from the public, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975 have been complied with. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or RBI or any Court or any other Tribunal in this regard.

7. In our opinion, the Company has an internal audit system which appears to be commensurate with the size and nature of its business.

8. The Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the Company's activity.

9. (a) In our opinion and according to the information and explanations given to us, according to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Service Tax, Cess and other material statutory dues, wherever applicable, have been generally regularly deposited with the appropriate authorities and there are no such

undisputed statutory dues payable for a period of more than six months from the date they became payable as at 31st March, 2010.

- (b) According to the information and explanations given to us and as per the books and records examined by us, there are no dues of Customs Duty, Wealth-Tax and Cess which have not been deposited on account of any dispute, except the following in respect of disputed Excise Duty, Sales Tax, Service Tax and Income Tax along with the forum where dispute is pending:

Name of Statute	Nature of the dues	Amount (₹ in lacs)	Year to which amount pertains	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	58.88	1996-97, 1999-2001, 2003-04 and 2005-06	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	4.20	2004-05	CESTAT
Finance Act, 1994	Service Tax	1.97	2007-08	Commissioner of Service Tax
Central Sales Tax Act & Sales Tax Act of Various States	Sales Tax	51.52	1992-93 to 2005-06	CTO / STO
Central Sales Tax Act & Sales Tax Act of Various States	Sales Tax	303.76	2000-01 to 2007-08	Dy. & Asst. Commissioner (Appeals)
Central Sales Tax Act & Sales Tax Act of Various States	Sales Tax	607.04	1991-92 to 2004-05	Sales Tax Tribunal
Income Tax Act, 1961	Income Tax	5.86	2004-05	Commissioner of Income Tax (Appeals)



10. There are no accumulated losses of the Company as at the end of the financial year. There are no cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or banks.
12. According to the information and explanations given to us, the Company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit Fund / Nidhi / Mutual Benefit Fund / Society and hence the related reporting requirements of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.
15. According to the information and explanations given to us, the Company had given a Corporate guarantee in earlier year for loans taken by its holding company from a bank. The terms & conditions thereof are, prima facie, not prejudicial to the interest of the company. There are no such guarantees outstanding as on year end.
16. In our opinion and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where the lenders have stipulated such end use.
17. According to the information and explanations given to us and as per the books and records examined by us, on an overall examination of the Balance Sheet of the Company, the funds raised by the Company on short-term basis have generally not been applied for long-term investment.
18. The Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us and as per the records examined by us, there are no debentures issued and outstanding at the end of the year.
20. The Company has not raised any money by way of public issues during the year.
21. During the course of our examination of the books & records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

New Delhi
26th July, 2010

Fenner (India) Ltd.
BALANCE SHEET AS AT 31ST MARCH 2010

₹ in lacs

	Schedule	As at 31.3.2010	As at 31.3.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
CAPITAL	1	248.31	248.31
RESERVES AND SURPLUS	2	25033.41	22353.23
		<u>25281.72</u>	<u>22601.54</u>
LOANS			
SECURED LOANS	3	5294.87	8095.16
UNSECURED LOANS		5984.79	6971.92
		<u>11279.66</u>	<u>15067.08</u>
DEFERRED TAX		1204.59	842.44
		<u>37765.97</u>	<u>38511.06</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	4	26122.87	20371.84
LESS: DEPRECIATION		10410.19	8977.34
NET BLOCK		<u>15712.68</u>	<u>11394.50</u>
CAPITAL WORK - IN - PROGRESS		341.70	5025.30
		<u>16054.38</u>	<u>16419.80</u>
INVESTMENTS	5	17248.05	17217.85
CURRENT ASSETS, LOANS AND ADVANCES	6	13119.94	12044.92
LESS: CURRENT LIABILITIES AND PROVISIONS	7	8656.40	7444.12
NET CURRENT ASSETS		<u>4463.54</u>	<u>4600.80</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Voluntary Retirement Payments		-	272.61
		<u>37765.97</u>	<u>38511.06</u>
ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	14		

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants

ARUN K. TULSIAN
Partner

R. VIJAYARAGHAVAN
Company Secretary

New Delhi, the 26th July 2010

RAGHUPATI SINGHANIA
Chairman

VIKRAMPATI SINGHANIA
Managing Director

H.V. LODHA
HARSH PATI SINGHANIA
L. R. PURI
SURENDRA MALHOTRA
A.N. RAVICHANDRAN
Directors

New Delhi, the 26th July 2010



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Schedule	2009-2010	2008-2009
₹ in lacs			
INCOME			
SALES AND OTHER INCOME	8	35521.12	30993.90
LESS : EXCISE DUTY		2494.38	3225.37
NET SALES AND OTHER INCOME		33026.74	27768.53
INCREASE / (DECREASE) IN FINISHED GOODS		425.45	(481.28)
		33452.19	27287.25
EXPENDITURE			
MATERIALS AND MANUFACTURING	9	17025.97	14945.12
EMPLOYEES	10	4962.27	4168.12
FREIGHT & TRANSPORTATION		641.92	578.63
OTHER EXPENSES	11	2740.73	2364.22
		25370.89	22056.09
PROFIT BEFORE INTEREST AND DEPRECIATION		8081.30	5231.16
INTEREST	12	1095.29	1522.98
PROFIT BEFORE DEPRECIATION		6986.01	3708.18
DEPRECIATION		1521.23	1289.72
TRANSFER FROM REVALUATION RESERVE		70.74	74.02
PROFIT BEFORE TAX		5535.52	2492.48
PROVISION FOR TAXATION			
- CURRENT TAX		923.00	272.00
- MAT CREDIT ENTITLEMENT [CHARGE / (CREDIT)]		339.75	(265.00)
- FRINGE BENEFIT TAX		-	62.00
- DEFERRED TAX		362.15	773.82
PROFIT AFTER TAX		3910.62	1649.66
SURPLUS FROM PREVIOUS YEAR		2377.15	2808.50
		6287.77	4458.16
APPROPRIATIONS			
TRANSFER TO GENERAL RESERVE		2500.00	1500.00
DIVIDENDS	13	993.22	496.61
CORPORATE DIVIDEND TAX		164.96	84.40
SURPLUS CARRIED TO RESERVES		2629.59	2377.15
		6287.77	4458.16
BASIC / DILUTED EARNINGS PER SHARE (₹) - CASH		230.49	146.56
(₹) - AFTER TAX		157.49	66.44
ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	14		

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants

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New Delhi, the 26th July 2010

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Directors

New Delhi, the 26th July 2010

SCHEDULES

₹ in lacs

As at
31.3.2010

As at
31.3.2009

Schedule 1

SHARE CAPITAL

AUTHORISED

8,00,00,000 Equity Shares of ₹ 10 each	8000.00	8000.00
10,00,000 Preference Shares of ₹ 100 each	1000.00	1000.00
	<u>9000.00</u>	<u>9000.00</u>

ISSUED, SUBSCRIBED AND PAID UP

24,83,066 Equity Shares of ₹ 10 each fully paid	248.31	248.31
	<u>248.31</u>	<u>248.31</u>

Of the above :

21,82,648 (Previous year 21,82,648) equity shares are held by the Holding Company, Bengal & Assam Co. Ltd.

23,13,000 shares (including 20,97,522 shares to the Holding Company, Previous year 20,97,522 shares) were issued to the shareholders of the transferor company in an earlier year pursuant to the Scheme of Amalgamation without payment being received in cash.

Schedule 2

RESERVES AND SURPLUS

₹ in lacs

	As at 1.4.2009	Additions	Transfers	As at 31.3.2010
Capital Reserve	343.18	-	-	343.18
Capital Redemption Reserve	77.10	-	-	77.10
Securities Premium	140.00	-	-	140.00
Revaluation Reserve	1307.50	-	72.26 (a)	1235.24
General Reserve	18108.30	2500.00	-	20608.30
Surplus in Profit and Loss Account	2377.15	2629.59	2377.15 (b)	2629.59
	<u>22353.23</u>	<u>5129.59</u>	<u>2449.41</u>	<u>25033.41</u>

Notes :

(a) Transfer to Profit and Loss Account ₹ 70.74 lacs (Previous year ₹ 74.02 lacs) towards additional depreciation arising out of revaluation of Fixed Assets and ₹ 1.52 lacs (Previous year ₹ 39.56 lacs) towards assets sold / written off.

(b) Transfer to Profit and Loss Account.



SCHEDULES

₹ in lacs

	As at 31.3.2010	As at 31.3.2009
Schedule 3		
LOANS		
SECURED		
Banks		
Term Loans (a)	3514.74	4504.60
Other Loans (b)	1780.13	3590.56
	<u>5294.87</u>	<u>8095.16</u>
UNSECURED		
Fixed Deposits	2601.55	945.73
Short Term Loans from Bank	500.00	5100.00
Term Loan from Banks	2000.00	-
Buyer's Credit facilities from Bank	883.24	926.19
	<u>5984.79</u>	<u>6971.92</u>

Notes:

- (a) Secured by hypothecation of movable assets and by way of equitable mortgage on immovable assets of the Company, present and future, ranking *pari passu* with the charges created / to be created on the said assets, except specific immovable properties.
- (b) Secured by hypothecation and by first charge on Stocks and Book debts, etc., and by second charge on the immovable assets of the Company, on *pari passu* basis with other Banks.

Schedule 4

FIXED ASSETS

₹ in lacs

Assets	GROSS BLOCK				DEPRECIATION/ LEASE AMORTISATION				NET BLOCK	
	As at 1.4.2009	Additions	Sales/ Adjustments	As at 31.3.2010	Upto Last Year	For the period	On Sales/ Adjustments	To date	As at 31.3.2010	As at 31.3.2009
(A) Tangible Assets:										
Land										
- Freehold	2391.51	209.28	-	2600.79	-	-	-	-	2600.79	2391.51
- Leasehold	132.61	-	-	132.61	3.65	1.34	-	4.99	127.62	128.96
Buildings	2548.51	1277.73	-	3826.24	580.62	110.28	-	690.90	3135.34	1967.89
Plant and Machinery	13133.78	4117.06	34.80	17216.04	7344.14	1201.96	30.16	8515.94	8700.10	5789.64
Furniture & Fixtures	1261.31	133.83	47.07	1348.07	695.09	106.17	35.44	765.82	582.25	566.22
Vehicles	251.73	93.50	47.13	298.10	76.51	24.63	22.78	78.36	219.74	175.22
Sub-total	19719.45	5831.40	129.00	25421.85	8700.01	1444.38	88.38	10056.01	15365.84	11019.44
(B) Intangible Assets:										
Software	158.63	44.54	-	203.17	51.35	25.39	-	76.74	126.43	107.28
Trade Mark Licence	493.76	4.09	-	497.85	225.98	51.46	-	277.44	220.41	267.78
Sub-total	652.39	48.63	-	701.02	277.33	76.85	-	354.18	346.84	375.06
Total	20371.84	5880.03	129.00	26122.87	8977.34	1521.23	88.38	10410.19	15712.68	11394.50
Previous year	20313.26	1351.78	1293.20	20371.84	8811.67	1290.04	1124.37	8977.34	11394.50	11501.59

Note:

Depreciation for the period Includes Nil (Previous year ₹ 0.32 lac) on capitalised pre-operative expenses.

SCHEDULES

Schedule 5 INVESTMENTS

	Class of Shares (Fully paid up)	As at 31.3.2010		As at 31.3.2009	
		Nos.	Value ₹ in lacs	Nos.	Value ₹ in lacs
Long Term (Non trade, at cost)					
Bodies Corporate - Quoted					
JK Paper Ltd.	Equity	7690000	4998.50	7690000	4998.50
JK Lakshmi Cement Ltd. *	Equity	10259400	5001.46	5129700	5001.46
JK Tyre & Industries Ltd.	Equity	3600000	3600.00	3600000	3600.00
Bodies Corporate - Unquoted					
Dwarakesh Energy Ltd.	Equity	25000	2.50	25000	2.50
Subsidiary Companies:					
Acorn Engineering Ltd.	Equity	50500	5.05	50500	5.05
Southern Spinners and Processors Ltd.	Equity	5050000	2055.00	5050000	2055.00
Modern Cotton Yarn Spinners Ltd.	Equity	3050000	1555.00	3050000	1555.00
BMF Investments Ltd.	Equity	301989	30.20	-	-
Others					
Madura Coats Workers' Co-operative Stores Ltd.	Equity	15790	0.16	15790	0.16
The Madurai District Pandian Consumers' Co-operative Wholesale Stores Ltd. 'A' Class Share (₹ 50)	Equity	1	-	1	-
Government Securities					
National Savings Certificate (Deposited with Government Department)		-	0.18	-	0.18
			<u>17248.05</u>		<u>17217.85</u>
Aggregate Value of Quoted investments			13599.96		13599.96
Aggregate Value of Unquoted investments			3648.09		3617.89
			<u>17248.05</u>		<u>17217.85</u>
Market value of Quoted investments			<u>18366.10</u>		<u>4682.39</u>
* JK Lakshmi Cement Ltd. (JKLCL) split the Equity Shares of ₹10 each into 2 (two) Equity Shares of ₹ 5 each on 5.12.2009, thus, increasing the number of shares. Pursuant to the Scheme of Amalgamation, 2,09,589 Shares of Bengal & Assam Company Ltd. (BACL) are held in the name of a Trustee on behalf of Fenner (India) Ltd., being Subsidiary of BACL against their holding in Nefflier Finco Ltd. Accordingly, the amount against the said shares is shown under Loans and Advances, recoverable in cash or in kind or for value to be received.					

	₹ in lacs	
	As at 31.3.2010	As at 31.3.2009
Schedule 6		
CURRENT ASSETS, LOANS AND ADVANCES		
A CURRENT ASSETS		
Inventories		
Raw Materials	783.31	644.20
Stores and Spares	165.11	163.63
Finished Goods	1374.75	949.30
Work-in-Process	251.55	200.89
	<u>2574.72</u>	<u>1958.02</u>
Debtors (Unsecured and Considered good)		
Debtors over six months	706.38	862.06
Others	5242.80	3905.71
	<u>5949.18</u>	<u>4767.77</u>
Cash and Bank Balances		
Cash in hand	8.06	2.95
Balances with Scheduled Banks		
Savings Accounts	0.03	0.03
Current Accounts	277.73	264.24
Fixed Deposits	165.20	296.36
	<u>451.02</u>	<u>563.58</u>
Other Current Assets	75.68	82.73
	<u>9050.60</u>	<u>7372.10</u>
B LOANS AND ADVANCES		
(Unsecured and Considered good)		
Advances to Subsidiary Companies	28.78	8.66
Advances recoverable in cash or in kind or for value to be received	3110.44	3363.34
Deposits with Govt. authorities and others	216.49	271.62
Income Tax Advance Payments (Net of Provisions)	66.88	42.70
MAT Credit Entitlement Receivable	646.75	986.50
	<u>4069.34</u>	<u>4672.82</u>
	<u>13119.94</u>	<u>12044.92</u>



SCHEDULES

₹ in lacs

	As at 31.3.2010	As at 31.3.2009
Schedule 7		
CURRENT LIABILITIES AND PROVISIONS		
A CURRENT LIABILITIES		
Acceptances	186.86	250.39
Sundry Creditors	6091.77	5020.70
Subsidiary Companies	48.27	646.60
Investor Education and Protection Fund (Refer note no. 8 of Schedule 14B)	47.38	70.89
Other Liabilities	832.03	858.14
Interest accrued but not due on loans	17.61	45.50
	<u>7223.92</u>	<u>6892.22</u>
B PROVISIONS		
Provision for Employee Benefits	274.30	261.40
Interim Dividend	496.61	-
Proposed Dividend	496.61	248.30
Corporate Dividend Tax	164.96	42.20
	<u>1432.48</u>	<u>551.90</u>
	<u>8656.40</u>	<u>7444.12</u>
Schedule 8		
SALES AND OTHER INCOME		
	2009-2010	2008-2009
Sales	35034.50	30688.15
Less : Inter Division Transfer	236.94	164.99
	<u>34797.56</u>	30523.16
Other Income		
Dividend from Subsidiary Company	30.20	-
Dividend from Others	542.70	265.20
Profit on sale of Assets (Net)	13.66	-
Miscellaneous Income	137.00	205.54
	<u>723.56</u>	<u>470.74</u>
	<u>35521.12</u>	<u>30993.90</u>
Schedule 9		
MATERIALS AND MANUFACTURING		
Raw Materials Consumed	11083.27	9852.22
(Increase) / Decrease in Work-in-Process	(50.66)	53.87
Purchase of Finished Goods	2636.82	2202.51
Consumption of Stores & Spares	1369.08	1129.40
Power and Fuel	1825.12	1455.43
Less : Inter Division Transfer	236.94	164.99
Repairs to Buildings	82.92	52.86
Repairs to Machinery	250.92	181.51
Excise Duty on Variation of Stock	65.44	182.31
	<u>17025.97</u>	<u>14945.12</u>

SCHEDULES

₹ in lacs

	2009-2010	2008-2009
Schedule 10		
EMPLOYEES		
Salaries, Wages, Bonus and Gratuity	4339.49	3621.90
Contribution to Provident and Pension Funds	209.74	192.38
Employees' Welfare	413.04	353.84
	<u>4962.27</u>	<u>4168.12</u>
Schedule 11		
OTHER EXPENSES		
Rent	114.45	114.16
Insurance	51.73	45.14
Discount and Commission on Sales	386.00	351.39
Rates and Taxes	84.33	64.82
Travelling Expenses	576.26	534.23
Directors' Fees	1.62	1.59
Loss on Assets Sold / Scrapped (Net)	-	73.53
Loss on Foreign Exchange Fluctuations	-	110.35
Sales Promotion Expenses	258.06	195.43
Miscellaneous Expenses	1268.28	873.58
	<u>2740.73</u>	<u>2364.22</u>
Schedule 12		
INTEREST		
On Fixed Loans	1014.34	1266.12
Others	178.59	422.32
	<u>1192.93</u>	<u>1688.44</u>
Less: Received on Advances and Deposits (Tax at source ₹ 8.22 lacs - Previous year ₹ 33.66 lacs)	97.64	165.46
	<u>1095.29</u>	<u>1522.98</u>
Schedule 13		
DIVIDENDS		
Interim Dividend	496.61	248.31
Final Dividend Proposed	496.61	248.30
	<u>993.22</u>	<u>496.61</u>



SCHEDULES

Schedule 14

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A ACCOUNTING POLICIES

- 1 Accounts are maintained on accrual basis. Claims / Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
- 2 Fixed Assets are stated at cost adjusted by revaluation of certain assets and Fixed Assets held for disposal are stated at realisable value.
- 3 The carrying amount of Assets are reviewed at each Balance Sheet date to assess impairment, if any based on internal and external factors. An asset is treated as impaired when the carrying value of asset exceeds its recoverable value being higher of value in use and net selling price. An impairment loss is recognised as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been an improvement in recoverable amount.
- 4 Intangible assets are recognised if future economic benefits are likely and cost of the asset can be measured reliably. The depreciable amount of an intangible asset is allocated on a systematic basis over the useful life of the asset.
- 5 Specialised software is amortised over a period of five years from the year of installation.
- 6 Expenditure during construction / erection period is included under Capital work-in-progress and is allocated to the respective fixed assets on completion of construction / erection.
- 7 Depreciation is calculated on straight line method at the rates as specified under Schedule XIV to the Companies Act 1956, except for certain assets transferred pursuant to the Scheme of Arrangement w.e.f. 31st March 2006, which are depreciated at rates derived on the basis of residual life determined by the Valuer. Lease hold land is amortised over the lease period. Depreciation on the increased amount of asset due to revaluation is computed on the basis of residual life of the assets as estimated by the valuer on straight line method.
- 8 Long Term Investments are stated at cost and current investments at lower of cost or fair market value. Diminution in value of long term investments is accounted for if the decline is other than temporary.
- 9 Inventories are valued at the lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
- 10 Employee Benefits :
 - (a) Defined Contribution Plan
Employee benefits in the form of Superannuation Fund, Provident Fund (PF) and ESI are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contribution to the respective funds are due.
 - (b) Defined Benefit Plan
Retirement benefits in the form of Gratuity and long term compensated absences (Leave Encashment) are considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.
 - (c) Short term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered. Actuarial gain / loss, if any, is recognised in the Profit and Loss Account.
- 11 Transactions denominated in foreign currency are accounted for at the exchange rate on the date of transactions. Outstanding Monetary Assets and Liabilities related to foreign currency transactions are translated at exchange rate prevailing at the end of the year and all exchange gains/ losses adjusted to the Profit and Loss Account. Non monetary foreign currency items are stated at cost. Premium in respect of forward contracts is recognised over the life of contract. Gain or loss arising on remeasuring derivative instruments identified as effective fair value hedges and ineffective cash flow hedges is accounted for in the Profit and Loss Account.
- 12 Revenue Expenditure on Research & Development is charged to Profit and Loss Account and Capital Expenditure is added to Fixed Assets.
- 13 Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.
- 14 Export incentives and benefits are recognised in the Profit and Loss Account.
- 15 Current Tax is the amount of tax payable on the estimated taxable income for the current year as per provisions of IncomeTax Act 1961. Deferred Tax is recognised for timing differences. However, Deferred Tax Asset is recognized on the basis of reasonable / virtual certainty that sufficient future taxable income will be available against which the same can be realised.

SCHEDULES

- 16 Inter-unit transfer of goods for captive consumption are included in respective heads of accounts to reflect the true working. Any unrealised profits on unsold stock is not considered for valuing the inventory. This has no impact on the profitability.
- 17 Government grants of incentives / subsidy are credited to Capital Reserve Account.
- 18 Provision in respect of present obligation arising out of past events are made in Accounts when reliable estimates can be made of the amount of the obligation. Contingent Liabilities (if material) are disclosed by way of Notes to Accounts. Contingent Assets are not recognised or disclosed in Financial Statements and are included, if any, in the Directors' Report.

B NOTES TO ACCOUNTS

- 1 Capital work-in-progress includes Machinery under construction / erection materials, advances for construction and machinery and also includes the following pre-operative expenses pending allocation.

	₹ In lacs	
	2009-2010	2008-2009
Material Consumption & Other Manufacturing Expenses	-	65.94
Depreciation	-	0.32
Finance Charges	-	186.78
Administrative and Other Expenses	-	68.32
	<u>-</u>	<u>321.36</u>
Less : Sales & Other Income during trial period	-	-
	<u>-</u>	<u>321.36</u>
Add : Expenditure upto previous year	359.37	67.52
	359.37	388.88
Less : Transferred to Fixed Assets	359.37	29.51
	<u>-</u>	<u>359.37</u>

- 2 Capital commitments (net of advances) - ₹ 469.02 lacs (Previous year ₹ 392.82 lacs)
- 3 a) Contingent liabilities in respect of claims not accepted and not provided for ₹1290.00 lacs (Previous year ₹1216.70 lacs). Details thereof are, Excise duty matters in appeal ₹ 63.08 lacs, Service tax matters in appeal ₹ 1.97 lacs, Sales tax matters in appeal ₹ 862.85 lacs and other matters ₹ 362.10 lacs (Previous year ₹ 63.08 lacs, ₹1.97 lacs, ₹ 775.24 lacs & ₹ 376.41 lacs respectively). In respect of certain disallowances and additions made by the Income tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally settled.
- b) The Company has given margin money of ₹160.36 lacs (Previous year ₹ 204.32 lacs) to secure bank guarantees.
- 4 Bills discounted with Banks outstanding ₹ 265.37 lacs (Previous year ₹ 347.36 lacs).
- 5 Land, buildings and plant & machinery transferred under the Scheme of Amalgamation during the year 2006-07 were revalued as at 31st August 1985 and as at 31st March 1995. The revaluation in respect of factory, service buildings and plant and machinery was further updated as at 31st March 1998 based on current replacement cost by a valuer and as a result, book value of the said assets had been increased by ₹ 2990.53 lacs.
- 6 During the year the Company reacquired 301989 equity shares of ₹ 10/- each at face value in BMF Investments Limited making it a wholly owned subsidiary company.
- 7 Based on information so far available with the Company in respect of MSME (as defined in 'The Micro Small & Medium Enterprises Development Act, 2006') there are no parties under this Act.
- 8 Investor Education and Protection Fund includes ₹ 0.43 lac for unclaimed dividend (Previous year ₹ 27.47 lacs) and ₹46.95 lacs for unclaimed fixed deposits including interest due thereon (Previous year ₹ 43.42 lacs) which shall be deposited on respective due dates.
- 9 Fixed Deposits include ₹ 45.00 lacs received from Directors (Previous year ₹ 15.00 lacs) and Interest accrued and paid includes ₹ 3.24 lacs interest paid to Directors (Previous year ₹ 0.36 lac).
- 10 Research and Development expenses amounting to ₹ 638.53 lacs (Previous year ₹ 477.41 lacs) have been included in the respective revenue accounts.



SCHEDULES

- 11 Raw Materials consumed for the year has been determined after adjusting ₹19.25 lacs (Previous year ₹ 44.59 lacs) accounted for on accrual basis in respect of estimated benefit on account of entitlement of import of raw materials under advance licence against exports made under Duty Exemption Scheme.
- 12 Miscellaneous expenses include Provision for doubtful debts Nil (Previous year ₹ 46.35 lacs), Bad debts Write-off ₹ 6.23 lacs (Previous year ₹ 15.43 lacs) and Interest ₹ 329.77 lacs paid to Income tax department in an earlier year (Previous year Nil).
- 13 Employees' Benefits:
Defined Benefit Plan (Gratuity) and Long Term Compensated Absences (Leave Encashment) - As per Actuarial Valuation.

	Gratuity (Funded)		Leave Encashment (Non Funded)	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
₹ in lacs				
A Expenses recognised in the Profit and Loss Account:*	31.3.2010	31.3.2009	31.3.2010	31.3.2009
Components of Employer's expense :				
i) Current Service cost	58.71	38.35	14.39	12.31
ii) Interest cost	39.89	35.18	7.66	6.24
iii) Expected return on plan assets	(39.11)	(38.38)	-	-
iv) Actuarial Loss / (Gain)	19.87	82.46	17.41	16.94
v) Total expense recognised in the Profit and Loss Account	79.36	117.61	39.46	35.49
B Net Asset / (Liability) recognised in the Balance Sheet:				
i) Present Value of Defined Benefit Obligation (DBO)	608.06	534.43	124.49	106.62
ii) Fair value of plan assets	529.50	448.22	-	-
iii) Status - Surplus / (Deficit)	(78.56)	(86.21)	(124.49)	(106.62)
iv) Net Asset / (Liability) recognised in the Balance Sheet	(78.56)	(86.21)	(124.49)	(106.62)
C Change in Defined Benefit Obligation (DBO) during the year:				
i) Present value of DBO at the beginning of the period	534.43	479.83	106.62	84.94
ii) Current service cost	58.71	38.35	14.39	12.31
iii) Interest cost	39.89	35.18	7.66	6.24
iv) Actuarial (Gain) / Loss	46.69	61.33	17.41	16.94
v) Benefit paid	(71.65)	(80.26)	(21.58)	(13.81)
vi) Present value of DBO at the end of the period	608.07	534.43	124.50	106.62
D Change in fair value of assets during the year:				
i) Plan assets at the beginning of the year	448.22	511.24		
ii) Expected return of plan asset	39.10	38.38		
iii) Actuarial Gain / (Loss)	26.82	(21.14)	Not	Not
iv) Actual Company's Contribution	87.00	-	Applicable	Applicable
v) Benefits paid	(71.65)	(80.26)		
vi) Plan assets at the end of the year	529.49	448.22		
E Actuarial Assumptions:				
i) Discount Rate (%)	8%	8%	8%	8%
ii) Expected results on plan assets (%)	8%	8%	-	-
iii) Mortality		LIC (1994-96) Ultimate		
iv) Salary Escalation		3%		

SCHEDULES

₹ in lacs

	Gratuity (Funded)		Leave Encashment (Non Funded)	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
F The major categories of plan assets as % of total plan assets:				
Insurance Policy	96.29%	95.71%	Not Applicable	Not Applicable

* included under Schedule 10 - Employees.

- a) The expected return on plan assets has been determined considering several applicable factors mainly the composition of plan assets held, associated risks of assets management, historical results of returns and policies for plan assets.
- b) The estimates of future salary increase considered in actuarial valuation taking into account inflation, seniority, promotions and other relevant factors such as supply and demand factors in the employment market.
- c) Defined Contribution Plan
Employer's contribution to Provident Fund and Other Funds aggregating to ₹ 231.86 lacs (Previous year ₹ 212.39 lacs) has been included under Schedule 10 - Employees. Pending issuance of Guidance Note from the Institute of Actuaries of India, the Company's Actuary expressed inability to reliably measure the provident fund liability.
- d) The Voluntary Retirement Payments made during the year amounting to ₹ 24.29 lacs are charged off in the Profit and Loss Account. Amount amortized during the year out of payments made in the earlier years ₹ 272.61 lacs (Previous year ₹ 272.61 lacs).
- 14 a) Exchange difference (net) amounting to ₹ 55.67 lacs (Previous year ₹ 323.86 lacs - debited) has been credited in respective heads of account in Profit and Loss account.
- b) (i) Currency swap of ₹ 1952.24 lacs - USD 49.13 lacs (Previous year ₹ 2317.10 lacs - USD 58.31 lacs.) taken for the loan has been fully hedged.
- (ii) Forward Contracts for hedging (a) Receivables ₹ 770.65 lacs - USD 16.29 lacs (Previous year ₹ 154.23 lacs - USD 3.06 lacs) (b) Payables ₹ 50.63 lacs - USD 1.12 lacs (Previous year ₹ 1208.09 lacs - USD 23.22 lacs) are outstanding as at 31.3.2010.
- c) Foreign currency exposure unhedged net receivable ₹ 7.38 lacs - GBP 0.11 lac and net payable ₹ 140.39 lacs - USD 3.08 lacs and ₹ 650.50 lacs - Euro 10.61 lacs as at 31.3.2010 (Previous year net receivable ₹ 245.89 lacs - USD 4.87 lacs and ₹ 17.27 lacs - GBP 0.24 lac and net payable ₹ 757.59 lacs - Euro 11.05 lacs).

	₹ In lacs	
	As on 31.3.2010	As on 31.3.2009
15 Deferred Tax (assets) and liabilities are attributable to the following items:		
I Deferred Tax Liability:		
Depreciation difference	1334.55	1007.12
	<u>1334.55</u>	<u>1007.12</u>
II Deferred Tax Assets:		
Unabsorbed depreciation and carried forward business losses	-	(7.32)
On account of Transitional Provisions due to adoption of Revised AS-15	(1.66)	(1.66)
Others	<u>(128.30)</u>	<u>(155.70)</u>
	<u>(129.96)</u>	<u>(164.68)</u>
Net Deferred Tax (Assets) / Liabilities	<u>1204.59</u>	<u>842.44</u>



SCHEDULES

										₹ In lacs		
16 Managerial Remuneration :				2009-2010				2008-2009				
a) Computation of Net Profit for the purpose of calculating Managerial remuneration :												
Profit before Tax				5535.52				2492.48				
Add: Directors' Remuneration				162.30				43.35				
Book Depreciation				1450.49				1215.70				
Directors' Sitting Fees				1.62				1.59				
Voluntary Retirement Payments				296.90				272.61				
Loss on Sale of Fixed Assets				-				73.53				
				<u>7446.83</u>				<u>4099.26</u>				
Less: Depreciation u/s 349 & 350				1519.16				1455.34				
Profit on Sale of Fixed Assets				11.83				-				
Capital gain on asset sold				1.83				-				
				<u>1532.82</u>				<u>1455.34</u>				
Net Profit for the purpose of Sec.309				5914.01				2643.92				
Commission payable to Non executive Directors				59.14				26.44				
b) Remuneration to Wholetime Director (Previous year was w.e.f. 24th December 2008)												
Salary and Allowances				94.30				15.36				
Contribution to Provident and Pension Funds				5.30				1.32				
Value of Perquisites (as per Income Tax Rules)				3.56				0.23				
				<u>103.16</u>				<u>16.91</u>				
17 Miscellaneous Expenses include Remuneration to Auditors:												
For Audit Fee				2.75				2.75				
For Certificates / Other Services				0.85				0.65				
Reimbursement of Expenses				1.58				1.23				
				<u>5.18</u>				<u>4.63</u>				
18 Particulars of Capacity (Per Annum), Production, Purchases, Sales and Stock:												
Description	Unit	Installed Capacity	Opening Stock		Purchases		Production		Sales Turnover		Closing Stock	
		Per Annum Qty.	Qty.	₹ in lacs	Qty.	₹ in lacs	Qty.	Qty.	₹ in lacs	Qty.	₹ in lacs	
V Belts	Lac nos.	223 (201)	9.56 (13.57)	453.95 (897.08)	1.26 -	43.42 -	166.54 (142.51)	167.51 (146.52)	20701.30 (18780.24)	9.85 (9.56)	763.18 (453.95)	
Oil Seals & Moulded Rubber Products	Lac nos.	920 (924)	45.33 (61.39)	187.99 (339.27)	- -	- -	833.13 (624.85)	842.71 (640.91)	7948.51 (6100.29)	35.75 (45.33)	251.23 (187.99)	
Wind Power	MWs	6.60 (6.60)	- -	- -	- -	- -	- -	- -	- -	- -	- -	
	Lac Units	-	-	-	-	-	102.48 (87.43)	102.48 (87.43)	346.03 (305.50)	-	-	
Engineering and other miscellaneous products	-	-	307.36 (194.23)	-	2593.40 (2202.51)	-	-	6038.66 (5502.12)	-	360.34 (307.36)		
	-	-	949.30 (1430.58)	-	2636.82 (2202.51)	-	-	35034.50 (30688.15)	-	1374.75 (949.30)		

Note: Figures in brackets relate to previous year.

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19 Particulars of Raw Materials and Components and Stores and Spares consumed :

	Unit	Qty.	2009 - 2010 Value	Qty.	₹ in lacs 2008 - 2009 Value
a) Raw Materials and Components					
Cord / Fabric	MT	2093	2219.99	1843	1950.23
Rubber	MT	2618	3571.60	2223	3648.30
Chemicals	MT	3154	2157.50	2621	1768.95
Components and Others			3134.18		2484.74
		% of Total	₹ in lacs	% of Total	₹ in lacs
Imported		33.42%	3703.94	36.59%	3604.87
Indigenous		66.58%	7379.33	63.41%	6247.35
b) Stores and Spares					
Imported		0.62%	8.55	2.24%	25.25
Indigenous		99.38%	1360.53	97.76%	1104.15

20 I Expenditure in Foreign Currency :

a) Technology & Consultancy		14.56	52.37
Interest		19.27	-
Others		43.95	45.75
b) C.I.F. Value of Imports :			
Raw Materials and Components		3145.44	3522.72
Stores and Spares		9.00	32.89
Capital Goods		69.07	1964.67
c) i) Dividend in Foreign Currency		15.42	46.26
ii) Year to which dividend relates		2008-09	2007-08 & 2008-09
iii) Number of Non-resident Shareholders		1	1
iv) Number of Shares		154200	154200

II Earnings in Foreign Currency on account of F.O.B. value of exports

	3121.54	3029.87
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21 Earnings Per Share :

a) Profit after Tax (₹ in lacs)	3910.62	1649.66
b) Weighted average number of equity shares	2483066	2483066
c) Basic and Diluted Earnings per equity share (₹) (Face Value of ₹10 each)		
- Cash	230.49	146.56
- After Tax	157.49	66.44



SCHEDULES

22 Statement of Cash Flow

₹ in lacs

Particulars	31.3.2010	31.3.2009
A Cash flow from Operating Activities		
Net Profit before tax	5535.52	2492.48
Adjustments for :		
Depreciation	1521.23	1290.04
Transferred from Revaluation Reserve	(70.74)	(74.02)
VRS Charged	296.90	272.61
Interest Expenses (Net)	1095.29	1522.98
(Profit) / Loss on sale of Assets	(13.66)	73.53
Dividend Received	(572.90)	(265.20)
Operating Profit before Working Capital Changes	7791.64	5312.42
(Increase) / Decrease in Trade and other Receivables	(886.45)	1799.58
(Increase) / Decrease in Inventories	(616.70)	898.45
Increase / (Decrease) in Trade Payables	372.48	1537.94
Cash generated from Operations	6660.97	9548.39
Direct taxes (paid)	(947.18)	(298.00)
VRS Paid	(24.29)	(143.84)
Net Cash from Operating Activities	5689.50	9106.55
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(1196.43)	(4908.28)
Sale of Fixed Assets	52.77	19.30
(Purchase) / Sale of Investment (Net)	(30.20)	(765.00)
Dividend Received	572.90	265.20
Net Cash used in Investing Activities	(600.96)	(5388.78)
C Cash flow from Financing Activities		
Proceeds of Borrowings	2000.00	3926.19
Repayment of Borrowings	(5632.81)	(2594.93)
Interest paid (Net)	(1123.18)	(1773.62)
Increase / (Decrease) in Cash Credit and Public Deposits	(154.61)	(2746.66)
Dividend paid (Including dividend tax)	(290.50)	(871.52)
Net cash used in Financing Activities	(5201.10)	(4060.54)
Net increase / (decrease) in Cash and Cash Equivalents	(112.56)	(342.77)
Cash and Cash Equivalents as at the beginning of the year	563.58	906.35
Cash and Cash Equivalents as at the end of the year	451.02	563.58

Notes:

- 1 Figures in brackets are outflows.
- 2 Cash and Cash equivalent includes Cash in hand and Balance with Scheduled Banks.

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23 Segment Disclosure pursuant to Accounting Standard 17

I Primary Segments - Business :

Company operates in a single segment of Polymer.

II Secondary Segments - Geographical Segments :

Particulars	₹ in lacs	
	2009-2010	2008-2009
Domestic Revenues	31788	27563
Export Revenues	3247	3125
Total	35035	30688

24 Disclosure in respect of Related Parties pursuant to Accounting Standard 18

A) Related Parties

i) Holding Company :
Bengal & Assam Co. Ltd.

iii) Fellow Subsidiary Companies :
LVP Foods Pvt. Ltd.
Panchmahal Properties Ltd.
Dwarkesh Energy Ltd.
Hifazat Chemicals Ltd.

ii) Subsidiary Companies :
Southern Spinners and Processors Ltd.
Modern Cotton Yarn Spinners Ltd.
Acorn Engineering Ltd.
BMF Investments Ltd.

iv) Key Management Personnel :
Shri. A.N. Ravichandran,
President & Director

B) Transactions carried out with related parties in the ordinary course of business :

Nature of Transactions	₹ in lacs	
	2009-2010	2008-2009
Holding Company		
Corporate Guarantee given and outstanding	-	1500.00
Subsidiary Companies		
Purchase of goods	983.08	650.10
Sale of goods	102.22	85.87
Other expenses	26.91	25.79
Interest received	4.26	-
Interest paid	6.29	9.81
Key Management Personnel		
Remuneration Paid	103.16	16.91
Deposits received during the year	10.00	15.00
Interest paid on deposits	2.44	0.36
C) Outstanding balances - Amount receivable / (payable)		
Amount payable to Holding Company	-	(302.00)
Amount payable to Subsidiary Companies	(48.27)	(646.60)
Amount receivable from Subsidiary Companies	28.78	8.66
Fixed Deposits from Key Management Personnel	(25.00)	(15.00)



SCHEDULES

25 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

I REGISTRATION DETAILS	
Registration No.	U24231TN1992PLC062306
State Code	18
Balance Sheet Date	31.3.2010
II CAPITAL RAISED DURING THE YEAR	
Public Issue	-
Rights Issue	-
Private Placement	-
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	₹ in lacs
Total Liabilities	37765.97
Total Assets	37765.97
SOURCES OF FUNDS	
Paid-up Capital	248.31
Reserves & Surplus	25033.41
Deferred Tax	1204.59
Secured Loans	5294.87
Unsecured Loans	5984.79
APPLICATION OF FUNDS	
Net Fixed Assets	16054.38
Investments	17248.05
Net Current Assets	4463.54
Miscellaneous Expenditure (to the extent not written off or adjusted)	-
IV PERFORMANCE OF THE COMPANY	
Turnover including Other Income	35521.12
Total Expenditure	29985.60
Profit Before Tax	5535.52
Profit After Tax	3910.62
Basic / Diluted Earnings Per Share (₹)	
- Cash	230.49
- After Tax	157.49
Dividend Rate (%) -	400%
V GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY	
(As per Monetary terms)	
Item Code No. 401021.00, 401024.00 & 401029.09	- V & Fan Belts
Item Code No. 401693.03	- Oil Seals

26 Current tax of ₹ 923.00 lacs (Previous year ₹ 272.00 lacs) includes Wealth Tax of ₹ 8.00 lacs (Previous year ₹ 7.00 lacs).

27. The provision for current tax represents income tax payable computed under substantive provisions (Previous year u/s 115JB) of the Income Tax Act, 1961.

28. Previous year's figures have been regrouped and recast wherever necessary.

Signatures to Schedules 1 to 14 forming an integral part of the accounts for the year ended 31st March 2010.

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
ARUN K. TULSIAN
Partner

R.VIJAYARAGHAVAN
Company Secretary

New Delhi, the 26th July 2010

RAGHUPATI SINGHANIA
Chairman

VIKRAMPATI SINGHANIA
Managing Director

H.V. LODHA
HARSH PATI SINGHANIA
L. R. PURI
SURENDRA MALHOTRA
A.N. RAVICHANDRAN
Directors

New Delhi, the 26th July 2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

1 Name of the Subsidiary Company	Modern Cotton Yarn Spinners Ltd.	Southern Spinners and Processors Ltd.	Acorn Engineering Ltd.	BMF Investments Ltd.
2 Financial year of the Subsidiary Company ended on	31.3.2010	31.3.2010	31.3.2010	31.3.2010
3 Holding Company's Interest in Equity Capital	100.00%	100.00%	100.00%	100.00%
4 The net aggregate of Profits less (losses) of the Subsidiary Company as far as it concerns the members of the Holding Company: (₹ in lacs)				
i Not dealt with in the Holding Company's Accounts				
a) For the Financial Year of the Subsidiary	(151.25)	8.97	0.17	106.38
b) For the previous Financial Years since it became the Holding Company's Subsidiary	(264.60)	(195.18)	0.91	-
ii Dealt with in the Holding Company's Accounts				
a) For the Financial Year of the Subsidiary	-	-	-	30.20
b) For the previous Financial Years since it became the Holding Company's Subsidiary	46.13	-	-	-

RAGHUPATI SINGHANIA
Chairman

VIKRAMPATI SINGHANIA
Managing Director

H.V. LODHA
HARSH PATI SINGHANIA
L. R. PURI
SURENDRA MALHOTRA
A.N. RAVICHANDRAN
Directors

R.VIJAYARAGHAVAN
Company Secretary

New Delhi, the 26th July 2010

New Delhi, the 26th July 2010



Directors' Report

Southern Spinners and Processors Ltd.

TO THE MEMBERS

The Directors are pleased to present their Fifth Annual Report with the Audited Accounts of the Company for the year ended 31st March 2010.

OPERATIONS

During the year under review, the Company achieved a turnover of ₹ 43.15 Crore as against ₹ 34.31 Crore in the previous year. The Net profit after providing financial charges and depreciation for the year was ₹ 0.19 Crore.

Prudent procurement of cotton helped better management of input costs. Foreign exchange earnings from exports were adequately covered to avoid any loss due to fluctuations. Availability of power continued to be restricted hampering operations while markets also stayed subdued. However, cost containment and productivity improvement increased the turnover as well as helped the Company move into profits.

The Company achieved 27% higher turnover due to increase in sale in the domestic market despite a dip in export sales compared to previous year.

DIRECTORS

Pursuant to Article 87 of the Articles of Association of the Company, Shri C.Suresh Kumar, Director, retires by rotation and being eligible offers himself for re-appointment.

AUDIT COMMITTEE

The Audit committee comprises of Mr. A.N.Ravichandran, Mr. P.K.Rustagi and Mr. C.Suresh Kumar, non-executive Directors of the Company. Mr. A.N. Ravichandran is the Chairman of the Committee. The terms of Reference of this Committee are wide enough covering matters specified for Audit Committee under the provisions of the Companies Act, 1956.

AUDITORS

Messrs S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors in their report on accounts read with the relevant notes are self explanatory.

MANAGER

Mr. R.Natarajan, Vice President & Head-Textile Division who was appointed as Manager for a period of one year w.e.f. 1st August 2009, ceases to be Manager as on 31st July 2010, consequent upon his attaining superannuation.

Mr. S.Raghuraman, who has joined on 21st June 2010 as 'Vice President-Textiles' in place of Mr. R.Natarajan, has been appointed as "Manager" pursuant to the provisions of the Companies Act, 1956, with the designation "Vice President – Textiles" for a period of one year with effect from 1st August 2010 subject to the approval of the Shareholders at the ensuing Annual General Meeting.

The Board places on record its appreciation for the valuable services rendered by Mr. Natarajan during his tenure.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is in receipt of remuneration in excess of the limits as given under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars of Conservation of energy, technology absorption, Foreign Exchange outgo and earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) the accounting policies have been selected and applied consistently and judgments and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Board places on record its appreciation of the continued support and co-operation extended by the Government agencies, Banks, Suppliers and Customers and the dedicated services of the Employees at all levels.

On behalf of the Board
A.N. RAVICHANDRAN

New Delhi
26th July, 2010

P.K.RUSTAGI
Directors

ANNEXURE TO THE DIRECTORS' REPORT

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Conservation of Energy

Particulars of Conservation of Energy

2009-2010 2008-2009

I) Power & Fuel Consumption

Electricity

a) Purchased:

Units. (kwh in lacs)	55.16	59.51
Total amount (₹ in lacs)	295.40	270.26
Rate / unit. (₹)	5.36	4.54

b) Own Generation:

Diesel Generators Units (kwh in lacs)	6.21	1.97
Units / litre of diesel (kwh)	3.32	3.31
Cost per unit / ₹	9.24	9.41

II) Consumption per unit of Production

Electricity consumed (₹ in lacs)	352.75	288.89
Kwh in lacs	61.37	61.48
Kwh / kg of yarn	2.00	2.29

B) Research and Development and Technology

During the period under review, the Company introduced various types of Cotton Woven Fabrics, Viscose yarn and Lycra which contributed to the turnover of the Company.

C) Exports, Foreign Exchange Earnings and Outgo

	₹ in lacs	
	2009-2010	2008-2009
Earnings in Foreign Exchange	543.35	734.36
Foreign Exchange Outgo	103.21	520.08

On behalf of the Board
A.N. RAVICHANDRAN

New Delhi
26th July, 2010

P.K.RUSTAGI
Directors

Auditors' Report

Southern Spinners and Processors Ltd. TO THE MEMBERS

We have audited the attached Balance Sheet of **Southern Spinners and Processors Ltd.** as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 (Collectively the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
3. The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit & 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;



5. On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b) In the case of Profit & Loss Account, of the profit for the year ended on that date; and
 - c) In the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907
New Delhi
26th July, 2010

Annexure to the Auditors' Report Referred to in paragraph 3 of our report of even date

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) As explained to us, a major part of fixed assets has been physically verified by the management according to a programme of physical verification, which in our opinion is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies were noticed on such physical verification.
 - (c) No substantial part of fixed assets has been disposed of during the year.
2. (a) As explained to us, physical verification has been conducted by the management at year end in respect of finished goods, stores & spare parts and raw materials. Further stocks in the possession and custody of third parties and stock in transit as at 31st March, 2010 have been verified by the management with reference to confirmations or statements of account or

correspondence of the third parties or subsequent receipt of goods. In our opinion, the frequency of such verification is reasonable.

- (b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the records of inventory, in our opinion, the Company is maintaining proper records of inventory. There were no discrepancies noticed on physical verification of stocks as compared to book records.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) Since there are no such loans, comments regarding terms & conditions of the loans, repayment of the principal amount & interest due thereon and overdue amounts are not required.
 - (c) The Company has not taken any loans from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
 4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
 5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of opinion that there are no particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements which need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of each party.
6. The Company has not accepted any deposits from the public within the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
 7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records 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. However, we are not required to make a detailed examination of such records.
 9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Excise Duty, Cess and other material statutory dues applicable to it during the year. There are no such dues which have remained outstanding for more than six months at the balance sheet date from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Income Tax, Sales Tax, Wealth-Tax, Customs Duty, Excise duty, Service tax and Cess as at 31st March 2010 which have not been deposited on account of any dispute.
 10. Since the Company has been in existence for less than five years, the relevant reporting requirements as regards losses exceeding fifty percent of the networth and cash losses are not applicable.
 11. According to the records of the Company examined by us and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the Order is not applicable to the Company.
 14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 16. The Company has not raised any term loans during the year.
 17. Based on the information and explanations given to us and on an overall examination of Balance Sheet of the Company, in our opinion, funds raised on Short-term basis have not been used for long-term investment.
 18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures nor has any outstanding debentures.
 20. The Company has not raised any money by way of public issues during the year.
 21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

New Delhi
26th July, 2010



Southern Spinners and Processors Ltd.

**BALANCE SHEET AS AT
31ST MARCH 2010**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010**

		₹ '000		₹ '000		
	Schedule	As at 31.3.2010	As at 31.3.2009	Schedule	2009-2010 2008-2009	
SOURCES OF FUNDS				INCOME		
SHAREHOLDERS' FUNDS				7	431469	343064
CAPITAL	1	50500	50500		10010	4410
RESERVES AND SURPLUS	2	159999	159999		421459	338654
		210499	210499		2437	304
LOANS					423896	338958
SECURED LOANS	3	68730	66990	EXPENDITURE		
		279229	277489	8	356758	298296
APPLICATION OF FUNDS				9	40021	35121
FIXED ASSETS	4			10	5678	5276
GROSS BLOCK		97586	97039		8830	9788
LESS: DEPRECIATION		33267	24942		411287	348481
NET BLOCK		64319	72097	PROFIT/(LOSS) BEFORE INTEREST & DEPRECIATION		
DEFERRED TAX		11219	12222	11	12609	(9523)
					2310	1758
CURRENT ASSETS, LOANS AND ADVANCES	5	217482	183395	PROFIT/(LOSS) BEFORE DEPRECIATION		
					10299	(11281)
LESS: CURRENT LIABILITIES AND PROVISIONS	6	32412	18863	DEPRECIATION		
					8399	9017
NET CURRENT ASSETS		185070	164532	PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS		
					1900	(20298)
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)				EXCEPTIONAL ITEMS		
Voluntary Retirement Payments		-	9120	FOREIGN EXCHANGE FLUCTUATIONS		
					-	2707
PROFIT AND LOSS ACCOUNT		18621	19518	PROFIT/(LOSS) BEFORE TAX		
					1900	(23005)
		279229	277489	PROVISION FOR TAXATION		
					-	-
					-	171
					1003	(7802)
				PROFIT/(LOSS) AFTER TAX		
					897	(15374)
				SURPLUS/ (DEFICIT) FROM PREVIOUS YEAR		
					(19518)	(4144)
					(18621)	(19518)
				APPROPRIATIONS		
				(DEFICIT) CARRIED TO BALANCE SHEET		
					(18621)	(19518)
					(18621)	(19518)
				EARNINGS PER SHARE		
					-	-
					-	171
					-	(7802)
					0.18	(3.04)
					2.04	(2.80)

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 12

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants

ARUN K. TULSIAN
Partner

MATHEWS V GEORGE
Company Secretary

New Delhi, the 26th July 2010

A.N. RAVICHANDRAN

P.K. RUSTAGI

Directors

New Delhi, the 26th July 2010

SCHEDULES

₹ '000

As at
31.3.2010

As at
31.3.2009

Schedule 1

SHARE CAPITAL

AUTHORISED

50,50,000 Equity Shares of ₹ 10 each	<u>50500</u>	<u>50500</u>
(Previous year 50,50,000 Equity shares of ₹10 each)		

ISSUED, SUBSCRIBED AND PAID UP

50,50,000 Equity shares of ₹10 each fully paid	<u>50500</u>	<u>50500</u>
(Previous year 50,50,000 Equity shares of ₹10 each fully paid)		

Notes:

Of the above, 50,00,000 shares of ₹ 10 each were issued pursuant to the Scheme of Arrangement without payment being received in cash.

All the shares are held by the Holding Company, Fenner (India) Ltd. and its nominees.

Schedule 2

RESERVES AND SURPLUS

₹ '000

	As at 1.4.2009	Additions	Transfers	As at 31.3.2010
Securities Premium	155000	-	-	155000
General Reserve	4999	-	-	4999
	<u>159999</u>	<u>-</u>	<u>-</u>	<u>159999</u>

Schedule 3

₹ '000

LOANS

As at
31.3.2010

As at
31.3.2009

SECURED

Bank - Working Capital Borrowings	<u>68730</u>	<u>66990</u>
	<u>68730</u>	<u>66990</u>

Note:

Secured by hypothecation of stocks and book debts and charge on the immovable assets of the Company.



SCHEDULES

Schedule 4

FIXED ASSETS

₹ '000

Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 1.4.2009	Additions	Sales/ Adjust- ments	As at 31.3.2010	Upto Last Year	For the period	On sales/ adjust- ments	To date	As at 31.3.2010	As at 31.3.2009
Land	4419	-	-	4419	-	-	-	-	4419	4419
Buildings	13396	-	-	13396	1028	342	-	1370	12026	12368
Plant and Machinery	75865	128	-	75993	22581	7791	-	30372	45621	53284
Furniture & Fixtures	2237	79	-	2316	1033	138	-	1171	1145	1204
Vehicles	1122	590	250	1462	300	128	74	354	1108	822
Total	97039	797	250	97586	24942	8399	74	33267	64319	72097
Previous Year	89039	8737	737	97039	16099	9017	174	24942	72097	72940

Schedule 5

₹ '000

CURRENT ASSETS, LOANS AND ADVANCES

As at
31.3.2010

As at
31.3.2009

A CURRENT ASSETS

1 Inventories

Raw Materials	109290	44173
Stores and Spares	2594	2399
Finished Goods	33477	31040
Work - in - Process	4535	3871
	149896	81483

2 Debtors

(Unsecured and Considered good)		
Debtors over six months	548	879
Others	41184	30101
	41732	30980

3 Cash and Bank Balances

Cash in hand	125	369
Balances with Scheduled Banks		
In Current Accounts	1849	3140
In Deposit Accounts	196	196
	2170	3705
	193798	116168

B LOANS AND ADVANCES

(Unsecured and Considered good)		
Advances recoverable in cash or in kind or for value to be received	11224	7237
Export Benefits Receivable	2947	86
Advances to Holding Company	-	48024
Deposits with Govt. authorities and others	6254	6218
Income Tax Advance Payments (Net of Provisions)	3259	5662
	23684	67227
	217482	183395

Schedule 6

₹ '000

CURRENT LIABILITIES AND PROVISIONS

As at
31.3.2010

As at
31.3.2009

A CURRENT LIABILITIES

Sundry Creditors	30480	17316
Other Liabilities	1426	824
	31906	18140

B PROVISIONS

Provision for Employee Benefits	506	723
	32412	18863

Schedule 7

SALES AND OTHER INCOME

2009-2010

2008-2009

1 Sales	423852	334540
2 Other Income		
Export Incentives	3982	4007
Conversion Charges	1943	1892
Profit on sale of Assets (Net)	-	601
Interest income	1078	948
(Tax at source 107 - Previous year 215)		
Miscellaneous Income	614	1076
	431469	343064

Schedule 8

MATERIALS AND MANUFACTURING

Raw Materials Consumed	281741	218086
(Increase) / Decrease in Stock -in-Process	(664)	(656)
Purchase of Finished Goods	4707	22191
Conversion Charges	19852	14025
Consumption of Stores & Spares	9688	8868
Power and Fuel	35275	28889
Repairs to Buildings	537	186
Repairs to Machinery	6711	6026
Excise duty on Variation of Stock	(1089)	681
	356758	298296

SCHEDULES

Schedule 9 ₹ '000

EMPLOYEES	2009-2010	2008-2009
Salaries, Wages, Bonus and Gratuity	37000	31536
Contribution to Provident & Pension Funds	1283	1274
Employees' Welfare	1738	2311
	40021	35121

Schedule 10

OTHER EXPENSES

Rent	70	70
Insurance	492	426
Directors' Sitting fees	4	3
Rates and Taxes	351	627
Travelling Expenses	1491	1136
Commission	1667	2157
Loss on sale of assets (Net)	31	-
Miscellaneous Expenses	4724	5369
	8830	9788

Schedule 11

INTEREST

Others - Working capital	2310	1758
	2310	1758

Schedule 12

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A ACCOUNTING POLICIES

- Accounts are maintained on accrual basis. Claims/Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
- Fixed assets are stated at cost.
- The carrying amount of Assets are reviewed at each Balance Sheet date to assess impairment, if any based on internal / external factors. An asset is treated as impaired when the carrying value of asset exceeds its recoverable value being higher of value in use and net selling price. An impairment loss is recognised as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been an improvement in recoverable amount.
- Expenditure during construction / erection period is included under Capital Work-in-Progress and is allocated to the respective fixed assets on completion of construction / erection.

5 Depreciation is calculated on straight line method at the rates and in the manner specified under Schedule XIV to the Companies Act 1956.

6 Inventories are valued at lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

7 Employee Benefits :

a) Defined Contribution Plan :

Employees benefits in the form of Provident Fund (PF) and ESI are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contribution to the respective funds are due.

b) Defined Benefit Plan :

Retirement Benefits in the form of Gratuity and Long term compensated absences (Leave Encashment) are considered as defined benefit obligations and are provided for on the basis of an Actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

c) Short term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered. Actuarial gain / loss, if any, is recognised in the Profit and Loss Account.

8 Transactions denominated in foreign currency are accounted for at the exchange rates on the date of the transactions or at the contracted rate. Current assets and liabilities relating to foreign exchange transactions are translated at the exchange rates prevailing at the end of the year or at contracted rates and the exchange difference is accounted for in the Profit and Loss Account.

9 Borrowing cost is charged to Profit and Loss Account except cost of borrowings for acquisition of qualifying assets, which is capitalized till the date of commercial use of the assets.

10 Export incentives and benefits are recognized in the Profit and Loss Account.

11 Current tax is the amount of tax payable on the estimated taxable income for the current year as per provisions of the Income Tax Act 1961. Deferred Tax Liability is recognised for timing difference and Deferred tax asset is recognised on the basis of reasonable/ virtual certainty that sufficient future taxable income will be available against which the same can be realised.

12 Provision in respect of present obligation arising out of past events are made in Accounts when reliable estimates can be made of the amount of the obligation. Contingent Liabilities are disclosed by way of Notes to Accounts. Contingent Assets are not recognised or disclosed in Financial Statements and are included, if any, in the Directors' Report.



SCHEDULES

B NOTES TO ACCOUNTS

- 1 a) Claims against the Company not accepted and hence not provided for ₹ 4465 thousands (Previous year ₹ 463 thousands)
- b) In respect of certain disallowances and additions made by Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally settled.

2 Based on information so far available with the Company in respect of MSME (as defined in "The Micro Small & Medium Enterprises Development Act, 2006") there are no parties under this Act.

3 Deferred Tax (Assets) and Liabilities are attributable to the following items :

	As on 31.3.2010	As on 31.3.2009
I Deferred Tax Liability :		
Depreciation Difference	<u>2744</u>	<u>2438</u>
II Deferred Tax Assets :		
Unabsorbed depreciation and carried forward business loss	(11483)	(12797)
Preliminary Expenses	-	(3)
Voluntary Retirement Payments	(2480)	(1860)
	<u>(13963)</u>	<u>(14660)</u>
Net Deferred Tax (Assets) / Liabilities	<u>(11219)</u>	<u>(12222)</u>

The Company has, based on its operational parameters and future earnings, assessed and recognised deferred tax assets (net) as above. The Management is of the view that sufficient future taxable income will be available against which such deferred tax asset can be realised.

	2009-2010	2008-2009
4 Managerial Remuneration :		
Remuneration to Manager		
Salary and allowances	1389	1071
Contribution to PF and Pension Fund	119	132
Value of Perquisites (as per Income Tax Rules)	130	5
	<u>1638</u>	<u>1208</u>

5 Miscellaneous expenses include remuneration to Auditors:

	2009-2010	2008-2009
For Audit Fee	75	75
For Certificate / Other services	60	32
Reimbursement of expenses	4	14
	<u>139</u>	<u>121</u>

6 Particulars of Capacity (per Annum), Production, Purchases, Sales and Stock :

		2009-2010		2008-2009	
		Qty	Value	Qty	Value
Description of the Product: Cotton Yarn					
Particulars	Unit				
Installed Capacity / per annum	No. of Spindles	24156	-	24156	-
Opening Stock	MT	313.43	31040	339.56	30736
Production	MT	3588.71*	-	2929.26*	-
Purchases	MT	37.99	4707	202.89	22191
Sales	MT	3636.25**	423852	3158.28**	334540
Closing stock	MT	303.88	33477	313.43	31040

* Includes fabric processed out of manufactured yarn 142.80 MT (Previous year 298.17 MT) and out of purchased yarn 515.24 MT (Previous year 294.32 MT)

** Includes sale of fabric 699.55 MT (Previous year 560.62 MT) for ₹ 128908 (Previous year ₹ 88497)

7 Particulars of raw materials and components and stores and spares consumed :

		2009-2010		2008-2009		
	% of Total	Qty MT	Value	% of Total	Qty MT	Value
a) Raw materials						
- Cotton	-	3389.33	225598	-	2983.10	195543
- Imported	3%	232.24	7748	28%	658.57	55555
- Indigenous	97%	3157.09	217850	72%	2324.53	139988
- Others	-	56143	-	-	-	22543
b) Stores and Spares						
- Imported	-	-	-	-	-	-
- Indigenous	100%	-	9688	100%	-	8868

SCHEDULES

8 Employee Benefits :

₹ '000

Defined Benefit Plan, (Gratuity) and Long Term compensated absences (Leave Encashment) as per Actuarial valuation.				Gratuity (Funded)	Leave Encashment (Non Funded)		
				31.3.10	31.3.09	31.3.10	31.3.09
				₹ '000			
A	Expenses recognised in the Profit and Loss Account	Gratuity (Funded)	Leave Encashment (Non Funded)				
Components of Employer's expense :				31.3.10	31.3.09	31.3.10	31.3.09
	i) Current Service cost	259	163	74	68		
	ii) Interest cost	143	105	23	17		
	iii) Expected return on plan assets	(123)	(96)	-	-		
	iv) Actuarial Loss / (Gain)	(90)	366	(8)	91		
	v) Total expense recognised in the Profit and Loss Account	189	538	89	176		
B	Net Asset / (Liability) recognised in the Balance Sheet						
	i) Present Value of Defined Benefit Obligation (DBO)	1924	1791	349	311		
	ii) Fair value of plan assets	2002	1427	-	-		
	iii) Status - Surplus / (Deficit)	78	(364)	(349)	(311)		
	iv) Net Asset / (Liability) recognised in the Balance Sheet as at end of the year	78	(364)	(349)	(311)		
C	Change in Defined Benefit Obligation (DBO) during the year						
	i) Present value of DBO at the beginning of the year	1791	1491	311	296		
	ii) Current service cost	259	163	74	68		
	iii) Interest cost	143	105	23	17		
	iv) Actuarial (Gain) / Losses	(90)	400	(8)	91		
	v) Benefits paid	(180)	(367)	(51)	(161)		
	vi) Present value of DBO at the end of the year	1923	1792	349	311		
D	Change in fair value of assets during the year						
	i) Plan assets at the beginning of the year	1427	1098	-	-		
	ii) Acquisition / adjustment	-	-	-	-		
	iii) Expected return of plan assets	123	96	-	-		
	iv) Actuarial Gain / (Loss)	-	33	-	-		
	v) Actual Company's Contribution	632	567	51	161		
	vi) Benefits paid	(180)	(367)	(51)	(161)		
	vii) Plan assets at the end of the year	2002	1427	-	-		
E	Actuarial Assumptions						
	i) Discount Rate (%)	8%	8%	8%	8%		
	ii) Expected results on plan assets (%)	8%	8%	Not Applicable			
	iii) Mortality			LIC (1994-96) Ultimate			
	iv) Salary escalation	3%	3%				
F	Major category of plan assets as a percentage of total plan assets						
	Insurance Policy	100%	100%	Not applicable			
a)	Defined Benefit Plan and Long Term compensated absences: The expenses recognised as above in respect of Gratuity and Long Term compensated absences (Leave Encashment) have been included in "Salaries, Wages, Bonus and Gratuity" under Schedule 9 - Employees.						
b)	Defined Contribution Plan: Expenses recognised in respect of contribution to Employees Provident Fund (Funded) ₹ 1206 thousands (Previous year ₹ 1186 thousands) have been shown under "Contribution to Provident and Pension Fund" under Schedule 9 - Employees.						
c)	The expected return on plan assets has been determined considering several applicable factors mainly the composition of plan assets held, associated risks of assets management, historical results of returns and policies for plan assets.						
d)	The estimate of future salary increase has been considered in actuarial valuation taking into account, inflation, seniority, promotions and other relevant factors such as supply and demand factors in the employment market.						



SCHEDULES

9 The Company's business consists of single segment - Textiles. The disclosure requirements of Accounting Standard 17 (AS-17) are not applicable.

10 i) Expenditure in Foreign Currency :

	₹ '000	
	2009-2010	2008-2009
a) Expenditure		
Commission	662	1489
Others	-	164
b) CIF Value of Imports		
Raw Materials	9659	50355
Stores and Spares	-	-
ii) Earnings in Foreign Currency on account of F.O.B. Value of Exports	54335	73436

11 Exchange differences (net) amounting to ₹ 98 thousands (Previous year ₹ 273 thousands credited) has been debited in respective heads of account in the Profit and Loss Account.

12 Debts over six months are net of provisions made for doubtful debts of ₹ 38 thousands (Previous Year Nil)

13 Computation of Earnings per share :

a) Profit/(Loss) after Tax	897	(15374)
Weighted average no. of shares	5050000	5050000
Earnings per share Basic & Diluted (₹)	0.18	(3.04)
b) Profit/(Loss) after Tax	897	(15374)
Add : Depreciation	8399	9017
Deferred Tax	1003	(7802)
	<u>10299</u>	<u>(14159)</u>
Weighted average No. of shares	5050000	5050000
Cash earnings per share (₹)	2.04	2.80

14 Disclosure in respect of Related Parties' transactions pursuant to Accounting Standard 18 (AS-18) :

A) Related Parties

Holding Company	-	Fenner (India) Ltd.
Fellow Subsidiary Companies	-	Modern Cotton Yarn Spinners Ltd. Acorn Engineering Ltd. BMF Investments Ltd.
Holding Company of Fenner (India) Ltd.	-	Bengal & Assam Company Ltd.

B) Key Management personnel - Mr. R.Natarajan
Vice President

C) Transactions carried out with related parties in the ordinary course of business:

Nature of Transaction	2009-2010		2008-2009	
	Holding Company	Fellow Subsidiary	Holding Company	Fellow Subsidiary
Purchase of Goods	4419	7880	3899	16990
Sale of Goods	94124	29161	65010	23706
Interest Received	629	-	542	-
Deputation of Employees	2691	-	2579	-
Conversion Charges paid	-	-	-	194
Conversion Charges received	-	1943	-	1892
Interest paid	167	-	-	-

Remuneration paid to key management personnel is given in note no.4 of schedule 12

D) Outstanding Balances - Amount Receivable / (Payable)

	2009-2010	2008-2009
Holding Company	4827	64660
Fellow Subsidiary Company	6265	4716

15 Statement of Cash flow

Particulars	31.3.2010	31.3.2009
A Cash flow from Operating Activities		
Net Profit (Loss) before tax	1900	(23005)
Adjustments for :		
Depreciation	8399	9017
VRS Payments	9120	9120
Interest Expenses (net)	1232	810
(Profit) / Loss on sale of Assets	31	(601)
Operating Profit before Working Capital Changes	<u>20682</u>	<u>(4659)</u>
(Increase) / Decrease in Trade and other Receivables	32791	(47843)
(Increase) / Decrease in Inventories	(68413)	(11890)
Increase / (Decrease) in Trade Payables	13549	(7261)
Cash generated from operations	<u>(1391)</u>	<u>(71653)</u>
Direct taxes (paid)	-	(376)
Net Cash from Operating Activities	<u>(1391)</u>	<u>(72029)</u>
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(797)	(8737)
Sale of fixed assets	145	1163
Net Cash used in Investing Activities	<u>(652)</u>	<u>(7574)</u>

SCHEDULES

Particulars	₹ '000	
	31.3.2010	31.3.2009
C Cash flow from Financing Activities		
Proceeds / (Repayment) of Working Capital Borrowings	1740	42191
Interest paid (net)	(1232)	(810)
Net cash used in Financing Activities	508	41381
Net increase / (decrease) in Cash and Cash Equivalents	(1535)	(38222)
Cash and Cash Equivalents as at the beginning of the year	3705	41927
Cash and Cash Equivalents as at the end of the year	2170	3705

Notes :

- Figures in brackets are outflows.
 - Cash and Cash equivalent includes Cash in hand and Balance with Scheduled Banks.
- 16 Balance Sheet Abstract and Company's General Business Profile as per Part IV of Schedule VI to the Companies Act 1956.

I REGISTRATION DETAILS

Registration No.	L17111 TN2005 PLC 056 558
State Code	18
Balance Sheet Date	31.3.2010

II CAPITAL RAISED DURING THE YEAR

₹ '000

Public Issue	-
Rights Issue	-
Private Placement	-

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	279229
Total Assets	279229

SOURCES OF FUNDS

Paid-up Capital	50500
Reserves & Surplus	159999
Secured Loans	68730
Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	64319
Deferred Tax	11219
Net Current Assets	185070
Profit and Loss Account	18621

IV PERFORMANCE OF THE COMPANY

Turnover including other income	431469
Total Expenditure	429569
Profit Before Tax	1900
Profit After Tax	897
Earnings Per Share - Basic and Diluted (₹)	0.18
- Cash (₹)	2.04

V GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per Monetary terms)

Item Code No. 520512.01	520513.01 - Cotton Yarn
Item Code No. 551411.10	- Polyester Cotton Fabric

- 17 Previous year's figures have been regrouped and recast wherever necessary.

Signatures to Schedules 1 to 12 forming an integral part of the accounts for the year ended 31st March 2010.

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants

A.N. RAVICHANDRAN
PK.RUSTAGI
Directors

ARUN K. TULSIAN
Partner

MATHEWS V GEORGE
Company Secretary

New Delhi, the 26th July 2010

New Delhi, the 26th July 2010



Directors' Report

Modern Cotton Yarn Spinners Ltd.

TO THE MEMBERS

The Directors are pleased to present their Fifth Annual Report with the Audited Accounts of the Company for the year ended 31st March 2010.

OPERATIONS

During the year under review, the Company achieved a turnover of ₹ 31.51 Crore as against ₹ 26.78 Crore in the previous year. The Net loss after providing financial charges and depreciation was ₹ 2.04 Crore.

Better procurement of raw materials and monitoring of foreign exchange cover for export helped to reduce the losses to some extent. Shortage of power supply continued to hamper production. However, restructuring of product mix and outsourcing helped in improving the turnover as well as reduce the losses. The Company established new customers in various new destinations like Argentina, Belgium, China, Mexico and USA.

DIRECTORS

Pursuant to Article 106 and 107 of the Articles of Association of the Company, Mr. V.Abraham, Director, retires by rotation and being eligible offers himself for re-appointment.

AUDITORS

Messrs S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors in their report on accounts read with the relevant notes are self explanatory.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is in receipt of remuneration in excess of the limits as given under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars of conservation of energy, technology absorption, Foreign Exchange outgo and earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

SECRETARIAL COMPLIANCE CERTIFICATE

Secretarial Compliance certificate in accordance with the provisions of Section 383A of the Companies Act, 1956, is given in the Annexure.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) the accounting policies have been selected and applied consistently and judgments and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- (iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Board places on record its appreciation of the continued support and co-operation extended by the Government agencies, Banks, Suppliers and Customers and the dedicated services of the Employees at all levels.

On behalf of the Board
A.N.RAVICHANDRAN

New Delhi
26th July, 2010

A.K.KINRA
Directors

ANNEXURE TO THE DIRECTORS' REPORT

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988.

A) Conservation of Energy

Particulars of Conservation of Energy

2009-2010 2008-2009

I) Power & Fuel Consumption:

Electricity

a) Purchased:

Units.(kwh in lacs)	42.00	43.83
Total amount (₹ in lacs)	209.62	192.38
Rate / unit. (₹)	4.99	4.39

b) Own Generation:

Diesel Generators Units (kwh in lacs)	4.16	0.89
Units / litre of diesel (kwh)	3.24	2.84
Cost per unit / ₹	9.50	12.49

II) Consumption per unit of Production

Electricity consumed (₹ in lacs)	247.30	203.52
Kwh in lacs	46.16	44.72
Kwh / kg of yarn	2.00	2.17

B) Research and Development and Technology

During the period under review, the Company introduced various types of Special Fabrics and Yarn which contributed to the turnover of the Company.

C) Exports, Foreign Exchange Earnings and Outgo

₹ in lacs

2009-2010 2008-2009

Earnings in Foreign Exchange	1296.85	1460.77
Foreign Exchange Outgo	83.77	1015.43

On behalf of the Board

A.N.RAVICHANDRAN

New Delhi
26th July, 2010

A.K.KINRA
Directors

SECRETARIAL COMPLIANCE CERTIFICATE

Secretarial Compliance Certificate under section 383A of The Companies Act 1956

Name of the Company : Modern Cotton Yarn Spinners Ltd.

Registration No. (CIN) : U17111TN2005PLC057274

Authorised Capital : ₹ 3,05,00,000/-

Paid-up Capital : ₹ 3,05,00,000/-

To the Members of Modern Cotton Yarn Spinners Ltd.

We have examined the registers, records, books and papers of **Messrs Modern Cotton Yarn Spinners Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made there under and all entries therein have been recorded.
2. The Company has filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities prescribed under the Act and rules made thereunder.
3. The Company is a public limited company and has the minimum paid up capital. M/s.Modern Cotton Yarn Spinners Limited is a 100% subsidiary of M/s. Fenner (India) Limited.
4. The Board of Directors met **FOUR (4)** times on 15th June 2009, 28th July 2009, 25th November 2009 and 16th January 2010 in respect of which meetings notices were given and the proceedings were recorded and signed in the Minutes Book maintained for the purpose.



5. The Company was not required to close its Register of Members during the financial year and hence the question of compliance of Section 154 of the Companies Act does not arise.
6. The **Fourth Annual General Meeting** for the financial year ended **31st March 2009** was held on **25th September 2009** after giving notice to the members of the Company and the resolutions passed thereat were recorded in the Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the Financial Year.
8. The Company has not advanced any loans or given any guarantees or provided any securities to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act. However, the transactions entered into with companies listed in the register maintained under Section 301(3) of the Act have been entered in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
 - (i) has not effected any allotment / transfer / transmission of securities during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account as no dividend was declared during financial year.
- (iii) was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
- (iv) has not declared any dividend, issued shares / debentures and has not accepted any deposits and hence the question of transfer of dividend to unpaid dividend account, application money due for refund, matured debentures, matured deposits and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund does not arise.
- (v) has complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is constituted. The appointment of Mr. A N Ravichandran as Director of the Company has been made at the 4th Annual General Meeting held on 25th September 2009. There was no appointment of additional directors / alternate directors or directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
16. The Company has not appointed any Sole Selling Agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.

20. The Company has not bought back any shares during the financial year and hence the question of complying with the buy back provisions does not arise.
21. The Company has no preference share capital and has not issued debentures and hence the question of redemption of preference shares or debentures does not arise during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any investments or loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one State to another during the financial year.
27. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the financial year.
28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the financial year.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the financial year.

30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. As per the information and explanations furnished to us, the Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For R.SRIDHARAN & ASSOCIATES

Company Secretaries

CS.R.SRIDHARAN

Chennai

C P No. 3239

26th July, 2010

FCS No. 4775

ANNEXURE 'A'

Registers as maintained by the Company

Sl. No.	Section Number	Name of the Register
1.	108	Share Transfer Register
2.	143	Register of Charges
3.	150	Register of Members
4.	193	Minutes of the Meetings of Board of Directors
5.	193	Minutes of the Meetings of the Members
6.	301	Register of Contracts
7.	303	Register of Directors
8.	307	Register of Directors' Shareholding
9.	372A	Register of Investments / Loans / Guarantees and Securities
10.	-	Board Meeting Attendance Binder

For R.SRIDHARAN & ASSOCIATES

Company Secretaries

CS.R.SRIDHARAN

Chennai

C P No. 3239

26th July, 2010

FCS No. 4775



ANNEXURE 'B'

Returns / Documents / Forms filed with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2010.

For the Financial Year 2009-2010 (01.04.2009 to 31.03.2010)

REGISTRAR OF COMPANIES

Sl. No.	Form No.	Relevant Section	Description	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No	Remarks (SRN / Amount Paid)
1.	32	303	Resignation of Mr. S Pattabiraman as Company Secretary with effect from 28 th March 2009.	25.04.2009	YES	Not Applicable	A60665023 ₹ 500/- (N)
2.	66	383A	Compliance Certificate issued by CS.R. Sridharan, Messrs R. Sridharan & Associates, Company Secretaries, for the financial year ended 31 st March 2009.	23.10.2009	YES	Not Applicable	A36961514 ₹ 500/- (N)
3.	32	303	Appointment of Mr. A.N. Ravichandran as Director of the Company at the Fourth Annual General Meeting held on 25.09.2009	24.10.2009	YES	Not Applicable	A71410351 ₹ 500/- (N)
4.	23AC, 23ACA & Sch VI	220	Balance Sheet for the financial year ended 31 st March 2009.	24.10.2009	YES	Not Applicable	P37304078 ₹ 500/- (N)
5.	20B& Sch V	159	Annual Return made upto 25 th September 2009 (Date of 4 th AGM).	23.11.2009	YES	Not Applicable	P41808783 ₹ 500/- (N)

REGIONAL DIRECTOR, CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Chennai
26th July, 2010

For R.SRIDHARAN & ASSOCIATES
Company Secretaries

CS.R.SRIDHARAN
C P No. 3239
FCS No. 4775

AUDITORS' REPORT

Modern Cotton Yarn Spinners Ltd. TO THE MEMBERS

We have audited the attached Balance Sheet of **Modern Cotton Yarn Spinners Ltd.** as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 (Collectively the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
3. The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit & 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;
5. On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b) In the case of Profit & Loss Account, of the loss for the year ended on that date; and
 - c) In the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

New Delhi
26th July, 2010

ARUN K. TULSIAN
Partner
Membership No. 89907



Annexure to the Auditors' Report Referred to in paragraph 3 of our report of even date

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) As explained to us, a major part of fixed assets has been physically verified by the management according to a programme of physical verification, which in our opinion is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies were noticed on such physical verification.
 - (c) No substantial part of fixed assets has been disposed off during the year.
2. (a) As explained to us, physical verification has been conducted by the management at year end in respect of finished goods, stores & spare parts and raw materials. Further stocks in the possession and custody of third parties and stock in transit as at 31st March, 2010 have been verified by the management with reference to confirmations or statements of account or correspondence of the third parties or subsequent receipt of goods. In our opinion, the frequency of such verification is reasonable.
 - (b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the records of inventory, in our opinion, the Company is maintaining proper records of inventory. There were no discrepancies noticed on physical verification of stocks.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) Since there are no such loans, comments regarding terms & conditions of the loans, repayment of the principal amount & interest due thereon and overdue amounts are not required.
 - (c) The Company has not taken any loans from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
5. (a) To the best of our knowledge and according to the information and explanations given to us, we are of opinion that there are no particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
 - (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements which need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of each party.
6. The Company has not accepted any deposits from the public within the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records 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. However, we are not required to make a detailed examination of such records.
9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Excise Duty, Cess and other material statutory dues applicable to it during the year. There are no such dues which have remained outstanding for more than six months at the balance sheet date from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Income Tax, Sales Tax, Wealth-Tax, Customs Duty, Excise duty, Service tax and Cess as at 31st March 2010 which have not been deposited on account of any dispute.
10. Since the company has been in existence for less than five years, the relevant reporting requirements as regards losses exceeding fifty percent of networth and cash losses are not applicable.
11. According to the records of the Company examined by us and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the Order is not applicable to the company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of Balance Sheet of the Company, in our opinion, funds raised on Short-term basis have not been used for long-term investment.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures nor has any outstanding debentures.
20. The Company has not raised any money by way of public issues during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

New Delhi
26th July, 2010

SCHEDULES

₹ '000

As at
31.3.2010

As at
31.3.2009

Schedule 1

SHARE CAPITAL AUTHORISED

30,50,000 Equity Shares of ₹ 10 each
(Previous year 30,50,000 Equity shares of ₹10 each)

30500

30500

ISSUED, SUBSCRIBED AND PAID UP

30,50,000 Equity Shares of ₹ 10 each fully paid
(Previous year 30,50,000 Equity shares of ₹ 10 each)

30500

30500

Notes :

Of the above, 30,00,000 shares of ₹ 10 each were issued pursuant to the Scheme of Arrangement without payment being received in cash.

All the shares are held by the Holding Company, Fenner (India) Ltd. and its nominees.

Schedule 2

₹ '000

RESERVES AND SURPLUS

	As at 1.4.2009	Additions	Transfers	As at 31.3.2010
Securities Premium	125000	-	-	125000
General Reserve	2479	-	-	2479
	127479	-	-	127479

Schedule 3

₹ '000

LOANS

As at
31.3.2010

As at
31.3.2009

SECURED

Bank - Working Capital Borrowings	78020	32112
	78020	32112

Note: Secured by hypothecation of stocks and book debts and charge on the immovable assets of the Company.

Schedule 4

FIXED ASSETS

₹ '000

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2009	Additions	Sales/ Adjustments	As at 31.3.2010	Upto Last Year	For the period	On sales/ adjustments	To date	As at 31.3.2010	As at 31.3.2009
Land	2308	-	-	2308	-	-	-	-	2308	2308
Buildings	15431	-	-	15431	1253	419	-	1672	13759	14178
Plant and Machinery	53392	387	-	53779	14464	5400	-	19864	33915	38928
Furniture & Fixtures	460	169	-	629	335	21	-	356	273	125
Vehicles	430	392	-	822	123	67	-	190	632	307
Total	72021	948	-	72969	16175	5907	-	22082	50887	55846
Previous year	66427	5994	400	72021	10515	5748	88	16175	55846	55912

SCHEDULES

Schedule 10	₹ '000	
	2009-2010	2008-2009
OTHER EXPENSES		
Rent	47	48
Insurance	253	276
Directors' sitting fees	4	2
Rates and Taxes	549	933
Travelling Expenses	1352	1026
Commission	4732	3863
Miscellaneous Expenses	3347	4032
	<u>10284</u>	<u>10180</u>

Schedule 11

INTEREST

Bank - Working Capital		
Borrowings	3034	3522
	<u>3034</u>	<u>3522</u>

Schedule 12

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A ACCOUNTING POLICIES

- 1 Accounts are maintained on accrual basis. Claims / Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
- 2 Fixed assets are stated at cost.
- 3 The carrying amount of Assets are reviewed at each Balance Sheet date to assess impairment, if any based on internal / external factors. An asset is treated as impaired when the carrying value of asset exceeds its recoverable value being higher of value in use and net selling price. An impairment loss is recognised as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been an improvement in recoverable amount.
- 4 Expenditure during construction / erection period is included under Capital Work -in- Progress and is allocated to the respective fixed assets on completion of construction / erection.
- 5 Depreciation is calculated on straight line method at the rates and in the manner specified under Schedule XIV to the Companies Act 1956.
- 6 Inventories are valued at lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

7 Employee Benefits :

a) Defined Contribution Plan

Employee benefits in the form of Superannuation Fund, Provident Fund (PF) and ESI are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contribution to the respective funds are due.

b) Defined Benefit Plan

Retirement benefits in the form of Gratuity and long term compensated absences (Leave Encashment) are considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

c) Short term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

Actuarial gain / loss, if any, is recognised in the Profit and Loss Account.

- 8 Transactions denominated in foreign currency are accounted for at the exchange rate on the date of transactions. Outstanding Monetary Assets and Liabilities related to foreign currency transactions are translated at exchange rate prevailing at the end of the year and all exchange gains / losses adjusted to the Profit and Loss Account. Non monetary foreign currency items are stated at cost. Premium in respect of forward contracts is recognised over the life of contract. Gain or loss arising on remeasuring derivative instruments identified as effective fair value hedges and ineffective cash flow hedges is accounted for in the Profit and Loss Account.
- 9 Borrowing cost is charged to Profit and Loss Account except cost of borrowings for acquisition of qualifying assets, which is capitalized till the date of commercial use of the assets.
- 10 Export incentives and benefits are recognised in the Profit and Loss Account.
- 11 Current tax is the amount of tax payable on the estimated taxable income for the current year as per provisions of the Income Tax Act 1961. Deferred Tax Liability is recognised for timing differences and Deferred Tax Asset is recognised on the basis of reasonable / virtual certainty that sufficient future taxable income will be available against which the same can be realised.
- 12 Provision in respect of present obligation arising out of past events are made in Accounts when reliable estimates can be made of the amount of the obligation. Contingent Liabilities are disclosed by way of Notes to Accounts. Contingent Assets are not recognised or disclosed in Financial Statements and are included, if any, in the Directors' Report.



SCHEDULES

B NOTES TO ACCOUNTS

- 1 a) Claims against the Company not accepted and hence not provided for ₹ 2140 thousands (Previous year ₹ 1705 thousands)
- b) In respect of certain disallowances and additions made by Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally settled.
- 2 Based on information so far available with the Company in respect of MSME (as defined in "The Micro Small & Medium Enterprises Development Act, 2006") there are no parties under this Act.
- 3 Deferred Tax (Assets) and Liabilities are attributable to the following items :

	As on 31.3.2010	As on 31.3.2009
₹ '000		
I Deferred Tax Liability :		
Depreciation Difference	<u>2664</u>	1660
II Deferred Tax Assets :		
Unabsorbed depreciation and carried forward business loss	(23602)	(17349)
Preliminary Expenses	(3)	(5)
	<u>(23605)</u>	<u>(17354)</u>
Net Deferred Tax (Assets) / Liabilities	<u>(20941)</u>	<u>(15694)</u>

The Company has, based on its operational parameters and future earnings, assessed and recognised deferred tax assets (net) as above. The Management is of the view that sufficient future taxable income will be available against which such deferred tax asset can be realised.

	2009-2010	2008-2009
₹ '000		
For Audit Fee	50	50
For Certificate/ Other services	25	25
Reimbursement of expenses	12	28
Total	<u>87</u>	<u>103</u>

- 5 Particulars of Capacity (Per Annum), Production, Purchases, Sales and Stock.

		2009-2010		2008-2009	
		Qty		Value	
₹ '000					
Description of the Products: Cotton Yarn					
Particulars	Unit	Qty	Value	Qty	Value
Installed Capacity / per annum	No. of Spindles	12480	-	12480	-
Opening Stock	MT	100.85	9919	151.36	13294
Production	MT	2309.78	-	2057.18	-
Purchases	MT	366.56	39815	334.76	32649
Sales	MT	2735.30	304370	2442.45	257152
Closing Stock	MT	41.89	4629	100.85	9919

- 6 Particulars of Raw Materials and Components and Stores and Spares Consumed

		2009-2010		2008-2009			
		% of Total	Qty MT	Value	% of Total	Qty MT	Value
₹ '000							
a) Raw materials							
Cotton			2719.34	188228		2242.00	159596
Imported	24%	551.11	45077		32%	621.22	50453
Indigenous	76%	2168.23	143151		68%	1620.78	109143
b) Stores and Spares							
Imported	1%	-	39		25%	-	1287
Indigenous	99%	-	6142		75%	-	3785

- 7 Employee Benefits
- Defined Benefit Plan, (Gratuity) and Long Term Compensated Absences(Leave Encashment) as per Actuarial valuation.

		2009-2010		2008-2009	
₹ '000					
A Expenses recognised in the Profit and Loss Account		Gratuity (Funded)	Leave Encashment (Non Funded)		
		31.3.10	31.3.09	31.3.10	31.3.09
Components of Employer's expense :					
i) Current Service cost		324	275	122	112
ii) Interest cost		462	429	19	20
iii) Expected return on plan assets		(435)	(427)	-	-
iv) Actuarial Loss / (Gain)		1228	217	(62)	(139)
v) Total expense recognised in the Profit and Loss Account		1579	494	79	(7)
B Net Asset / (Liability) recognised in the Balance Sheet					
i) Present Value of Defined Benefit Obligation (DBO)		6701	5779	396	317
ii) Fair value of plan assets		6794	5284	-	-
iii) Status - Surplus / (Deficit)		93	(495)	(396)	(317)
iv) Net Asset / (Liability) recognised in the Balance Sheet		93	(495)	(396)	(317)
C Change in Defined Benefit Obligation (DBO) during the year					
i) Present value of DBO at the beginning of the year		5779	5915	316	349
ii) Current service cost		324	275	123	112
iii) Interest cost		462	429	19	20
iv) Actuarial (Gain) / Losses		1228	269	(62)	(139)
v) Benefit paid		(1092)	(1109)	-	(26)
vi) Present value of DBO at the end of the year		6701	5779	396	316

SCHEDULES

		₹ '000	
	Gratuity (Funded)	Leave Encashment (Non Funded)	
	31.3.10	31.3.09	31.3.10 31.3.09
D	Change in fair value of assets during the year		
i)	Plan assets at the beginning of the year	5284	5866
ii)	Acquisition Adjustment	-	-
iii)	Expected return of plan asset	435	479
iv)	Actuarial Gain / (Loss)	-	-
v)	Actual Company's Contribution	2167	48
vi)	Benefits paid	(1092)	(1109)
vii)	Plan assets at the end of the year	6794	5284
E	Actuarial Assumptions		
i)	Discount Rate (%)	8%	8%
ii)	Expected results on plan assets (%)	8%	8%
iii)	Mortality	LIC (1994-96) Ultimate	
iv)	Salary escalation	3%	3%
F	Major category of plan assets as a percentage of total plan assets		
	Insurance Policy	100%	100%
8	a) Defined Benefit Plan and Long Term Compensated Absences:		
	The expenses recognised as above in respect of Gratuity and Long Term Compensated Absences (Leave Encashment) have been included in "Salaries, Wages, Bonus and Gratuity" under Schedule 9 - Employees.		
	b) Defined Contribution Plan:		
	Expenses recognised in respect of contribution to Employees Provident Fund (Funded) ₹ 1606 thousands (Previous year ₹ 1499 thousands) have been shown under "Contribution to Provident Fund under Schedule 9 - Employees". The Contribution to Employees State Insurance Corporation ₹ 580 thousands (Previous year ₹ 549 thousands) have been included in "Employees' Welfare" under Schedule 9 - "Employees"		
	c) The expected return on plan assets has been determined considering several applicable factors mainly the composition of plan assets held, associated risks of assets management, historical results of returns and policies for plan assets.		
	d) The estimate of future salary increase has been considered in actuarial valuation taking into account inflation, seniority, promotions and other relevant factors such as supply and demand factors in the employment market.		
9	The Company's business consists of single segment - Textiles. Disclosure requirements of Accounting Standard 17 (AS 17) are not applicable.		
10	Exchange differences (net) amounting to ₹ 1191 thousands (Previous year ₹ 95 thousands) has been debited in respective heads of account in the Profit and Loss Account.		
			₹ '000
			2009-2010 2008-2009
11	i) Expenditure in Foreign Currency		
	a) Expenditure		
	Commission	385	1434
	Others	-	119
	b) CIF value of Imports		
	Raw materials	7953	98703
	Stores and Spares	39	1287
	ii) Earnings in Foreign Currency on account of F.O.B. Value of Exports	129685	146077
12	Computation of Earnings per share		
	a) Profit/(Loss) after Tax	(20372)	(23575)
	Weighted average no. of shares - Earnings per share - Basic & Diluted (₹)	3050000	3050000
		(6.68)	(7.73)
	b) Profit/(Loss) after Tax	(20372)	(23575)
	Add : Depreciation	5907	5748
	Deferred Tax	(5247)	(13311)
		(19712)	(31138)
	Weighted Average no. of shares	3050000	3050000
	Cash earnings per share (₹)	(6.46)	(10.21)
13	Disclosure in respect of Related Parties' transactions pursuant to Accounting Standard 18 (AS18)		
	A) Related Parties		
	Holding Company	- Fenner (India) Ltd.	
	Fellow subsidiaries	- Southern Spinners and Processors Ltd.	
		- Acorn Engineering Ltd.	
		- BMF Investments Ltd.	
	Holding Company of Fenner (India) Ltd.	- Bengal & Assam Company Ltd.	
	B) Key Management personnel	- Not Applicable	



SCHEDULES

C) Transactions carried out with related parties in the ordinary course of business :

Nature of transaction	2009-2010		2008-2009	
	Holding Company	Fellow Subsidiary	Holding Company	Fellow Subsidiary
Purchase of goods	5803	29161	4689	23706
Sale of goods	4185	7880	-	16990
Interest received	-	-	438	-
Interest paid	259	-	-	-
Conversion charges paid	-	1943	-	1897
Conversion charges received	-	-	-	194

D) Outstanding Balances- Amount Receivable / (Payable)				
Holding Company	(2877)	-	866	-
Fellow Subsidiary	-	(6265)	-	(4716)

14 Statement of Cash Flow ₹ '000

Particulars	31.3.2010	31.3.2009
A Cash flow from Operating Activities		
Net Loss before tax	(20372)	(36774)
Adjustments for :		
Depreciation	5907	5748
Interest Expenses (net)	2634	2386
(Profit) / Loss on sale of Assets	-	(688)
Operating Profit before Working Capital Changes		
	(11831)	(29328)
(Increase) / Decrease in Trade and other Receivables	(28212)	41205
(Increase) / Decrease in Inventories	(21832)	(22100)
Increase / (Decrease) in Trade Payables	20699	(13998)
Cash generated from Operations	(41176)	(24221)
Direct taxes (paid)	-	(295)
Net Cash from Operating Activities	(41176)	(24516)
B Cash flow from Investing Activities		
Purchase of Fixed Assets (net)	(3825)	(5929)
Sale of Fixed Assets	-	1000
Net Cash used in Investing Activities	(3825)	(4929)
C Cash flow from Financing Activities		
Proceeds/(Repayment) of Working Capital Borrowings	45908	(22605)
Interest paid (net)	(2634)	(2386)
IFST Loan	-	(563)
Net Cash used in Financing Activities	43274	(25554)
Net increase / (decrease) in Cash and Cash Equivalents	(1727)	(54999)
Cash and Cash Equivalents as at the beginning of the year	3701	58700
Cash and Cash Equivalents as at the end of the year	1974	3701

Notes :

- 1 Figures in brackets are outflows.
- 2 Cash and Cash equivalent includes Cash in hand and Balance with Scheduled Banks.

15 Balance Sheet Abstract and Company's General Business Profile as per Part IV of Schedule VI to the Companies Act 1956.

I REGISTRATION DETAILS

Registration No.	U17111 TN2005 PLC 057 274
State Code	18
Balance Sheet Date	31.3.2010

II CAPITAL RAISED DURING THE YEAR

	₹ '000
Public Issue	-
Rights Issue	-
Private Placement	-

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	₹ '000
Total Liabilities	235999
Total Assets	235999

SOURCES OF FUNDS

Paid-up Capital	30500
Reserves and Surplus	127479
Secured Loans	78020
Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	53764
Deferred Tax	20941
Net Current Assets	119710
Profit and Loss Account	41585

IV PERFORMANCE OF THE COMPANY

Turnover including other income	315109
Total Expenditure	335481
(Loss) Before Tax	(20372)
(Loss) After Tax	(15125)
Earnings Per Share - Basic and Diluted (₹)	(6.68)
- Cash (₹)	(6.46)

V GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per Monetary terms)

Item Code No. 520512.01 & 520513.01 - Cotton Yarn

16 Previous year's figures have been regrouped and recast wherever necessary.

Signatures to schedules 1 to 12 forming an integral part of the accounts for the year ended 31st March 2010.

Per our report attached
For S.S. KOTHARI MEHTA & CO.,
Chartered Accountants

ARUN K. TULSIAN
Partner

A.K.KINRA

A.N.RAVICHANDRAN

Directors

New Delhi, the 26th July 2010

New Delhi, the 26th July 2010

Directors' Report

BMF Investments Ltd.

TO THE MEMBERS

The Directors are pleased to present their Fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2010.

OPERATIONS

For the financial year ended 31st March 2010, your Company earned an income of ₹ 234.20 lacs from interest and dividend as against ₹ 191.02 lacs in the previous year. The Profit after tax is ₹ 106.38 lacs as against ₹ 149.53 lacs in the previous year.

The Directors deem it appropriate to retain the earnings for the operations of the Company and accordingly do not recommend any dividend for the year.

DIRECTORS

Pursuant to Article 106 of the Articles of Association of the Company, Shri P.K. Rustagi, retires by rotation and being eligible, offers himself for re-appointment.

Shri L.R. Puri was appointed as additional Director w.e.f. 14th December 2009 and shall hold the said office upto the date of the forthcoming Annual General Meeting. The Company has received requisite notice from a member pursuant to Section 257 of the Companies Act 1956, proposing the candidature of Shri L.R. Puri for appointment as Director liable to retire by rotation.

Shri Amlan J Roychowdhury resigned from the Board of Directors of the Company from conclusion of business hours on 14th December 2009. The Board of Directors places on record its sincere appreciation of the valuable services rendered by Shri Amlan J Roychowdhury during his tenure of office.

AUDITORS

M/s. Lodha & Co., Chartered Accountants, Auditors of the Company, retire at the present Annual General Meeting and are eligible for re-appointment. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

PARTICULARS OF EMPLOYEES

During the period under review, the Company had no employee in the category specified under section 217(2A) of the Companies Act 1956.

CONSERVATION OF ENERGY ETC.

The requirement of furnishing particulars of energy conservation, technology absorption, foreign exchange earnings and outgo, pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your Directors state that -

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year ended 31st March 2010;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

COMPLIANCE CERTIFICATE

Compliance Certificate pursuant to Section 383A of the Companies Act 1956, is enclosed.

ACKNOWLEDGEMENTS

The Board places on record its appreciation of the continued support and co-operation extended by the Government agencies and Shareholders and the dedicated services of the Employees.

On behalf of the Board

L.R. PURI

P.K. RUSTAGI

Directors

PLACE : New Delhi

DATE : 10th June, 2010



SECRETARIAL COMPLIANCE CERTIFICATE

Secretarial Compliance Certificate under section 383A of The Companies Act 1956

Name of the Company : BMF Investments Limited,
Registration No. (CIN) : U67120DL2005PLC161088
Authorised Capital : ₹ 30.20 lacs
Paid-up Capital : ₹ 30.1995 lacs

To The Members of BMF Investments Limited

I, B. Devachitranjan, have examined the registers, records, books and papers of M/s. BMF Investments Limited, having registered office at Link House, 3, Bahadur Shah Zafar Marg, New Delhi – 110 002, as required to be maintained under the Companies Act 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2010. In my opinion and to the best of my information and according to the examination carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made thereunder and all entries have been duly recorded.
 2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities.
 3. The Company, being a public limited company, has the minimum prescribed paid-up capital under the provisions of the Act.
 4. The Board of Directors duly met (5) times respectively on 29.04.09, 25.08.09, 19.09.09, 14.12.09 and 30.03.10 in respect of which proper notices were given and the proceedings were properly recorded and signed and the Minutes Book maintained.
 5. The Company was not required to close its Register of Members during the financial year.
 6. The Annual General Meeting for the financial year ended on 31.03.2009 was held on 30.09.2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
 7. No Extra-Ordinary General Meeting was held during the financial year.
 8. The Company has not advanced any loan to its directors or persons or firms or companies referred to under Section 295 of the Act during the year under review.
 9. The Company has not entered into any contracts attracting the provisions of Section 297 of the Act.
 10. The Company has not made any entries in the register maintained under Section 301 (1) of the Act.
 11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
 12. The Company has not issued any duplicate share certificates during the financial year.
 13. The Company has:
 - (i) Not made allotment / transmission of securities during the year.
 - (ii) Upon transfer of shares, delivered the share certificates to the transferee as per provisions of the Act.
 - (iii) Amount of dividend declared during the financial year has been deposited in a separate Bank Account.
 - (iv) Not transferred any amounts of unpaid dividend, application money due for refund, matured deposits, matured debentures and interest accrued thereon as nothing has remained unpaid or unclaimed for a period of seven years, to Investor Education and Protection Fund.
 - (v) Duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted
 15. The Company has not appointed any Managing Director / Whole Time Director / Manager during the financial year.
 16. The Company has not appointed any sole-selling agents during the financial year.
 17. There was no case involving the requirements of any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such other authorities under the various provisions of the Act during the financial year.
 18. The Directors have disclosed their interest in other firms / companies, to the Board of Directors, pursuant to the provisions of the Act, during the year.
 19. The Company has not issued any shares, debentures or other securities during the financial year.
 20. No buyback of shares took place during the financial year.
 21. No redemption of preference shares or debentures took place during the financial year.
 22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares, pending registration of transfer of shares.
 23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the financial year.
 24. The Company has not made any borrowings during the financial year under review.
 25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate under the provisions of Section 372A of the Act, during the year.
 26. There was no alteration in the Memorandum of the Company with respect to situation of the Company's registered office from one State to another during the year.
 27. There was no alteration in the Memorandum of the Company with respect to the objects of the Company during the year.
 28. There was no alteration in the Memorandum of the Company with respect to the name of the Company during the year.
 29. There was no alteration in the Memorandum of the Company with respect to the share capital of the Company during the year.
 30. There was no alteration in its Articles of Association during the year.
 31. There was no prosecution initiated against or show cause notices received by the Company during the financial year, for offences under the Act.
 32. The Company has not received any money as security from its employees during the financial year.
 33. The Company has not deducted any contribution towards Provident Fund during the financial year.

New Delhi.
9th June, 2010

B.DEVACHITRANJAN
Company Secretary
C P No.7387

Annexure 'A'

Registers as maintained by the Company:

1. Register of Members u/s 150
2. Register of Directors u/s 303
3. Register of Directors' Shareholdings u/s 307
4. Register of Disclosure made u/s 299
5. Register of Charges u/s 143
6. Minutes Books of Board Meetings
7. Attendance register for Board Meeting
8. Minutes Books for General Meetings
9. Attendance register for Shareholders' Meeting
10. Books of Accounts u/s 209

Other Registers:

Register of Transfer.

Annexure 'B'

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the Financial Year ended 31st March 2010:

1. Compliance Certificate for the financial year ended on 31.03.2009 filed on 27th October 2009 vide Challan No.P37785193.
2. Annual Accounts u/s 220 of the Companies Act 1956 for the financial year ended on 31.03.2009 filed on 28th October 2009 vide Challan No.P38035481.
3. Annual Return for the financial year ended on 31.03.2009 filed on 13th November 2009 vide Challan No.P40791527.
4. Form 32 pursuant to change in designation of Director was filed on 10th December 2009 vide Challan No.A74343393.
5. Form 32 pursuant to appointment and cessation of Directors was filed on 14th December 2009 vide Challan No.A74533720.

New Delhi
9th June, 2010.

B.DEVACHITRANJAN
Company Secretary
C P No.7387

Auditors' Report

BMF Investments Ltd.

TO THE MEMBERS

We have audited the attached Balance Sheet of **BMF Investments Limited**, as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (The Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 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 & 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 & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;



- (e) As per the information and explanations given to us, none of the directors of the Company is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies, Note nos. 9 & 10 of Schedule 7(B) and Other notes thereon, give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For LODHA & CO.,
Chartered Accountants

N K. LODHA
Partner

New Delhi
10th June, 2010

Firm Registration No. 301051E
Membership No. 85155

Annexure to the Auditors' Report

(Referred to in paragraph (1) of our Report of even date of BMF INVESTMENTS LIMITED for the year ended 31st March 2010.)

1. The company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d), (f) & (g) of the Order are not applicable.
2. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regards to purchase and sale of the shares and securities. Based on the audit procedure performed and on the basis of information and explanations provided by the management, during the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
3. According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that there are no contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section. Accordingly, the provision of clause 4 (v) (b) of the Order are not applicable.
4. (a) The company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees'

state insurance, income tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities to the extent applicable and there are no undisputed statutory dues payable for a period of more than six months from the date they became payable as at 31st March, 2010.

- (b) According to the records and information and explanations given to us, there are no dues in respect of, income tax, sales tax, service tax, customs duty, excise duty, wealth tax and cess that have not been deposited to the extent applicable with the appropriate authorities on account of dispute.
5. The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current year and in the immediately preceding financial year.
6. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
7. The Company is not a chit fund or a nidhi /mutual benefit fund /society, therefore, the provisions of clause 4 (xiii) of the said Order are not applicable to the company.
8. According to the information and explanations given to us, we are of the opinion that proper records have been maintained in respect of purchase of shares/securities and timely entries have been made therein and all the investments of the Company have been registered in the name of the Company as at 31st March 2010.
9. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
10. On the basis of information and explanations given to us and on an overall examination of the financial statements of the company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.
11. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to any parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
12. The company has not raised any money through a public issue during the year.
13. Based on the audit procedure performed and on the basis of information and explanations provided to us, no fraud on or by the company has been noticed or reported during the course of our audit.
14. No other matters specified in the said Order are applicable to the Company.

For LODHA & CO.,
Chartered Accountants

N K. LODHA
Partner

New Delhi
10th June, 2010

Firm Registration No. 301051E
Membership No. 85155

BMF Investments Ltd.
BALANCE SHEET AS AT
31ST MARCH 2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010

			₹ '000				₹ '000
	Schedule	As at 31.3.2010	As at 31.3.2009		Schedule	2009-2010	2008-2009
SOURCES OF FUNDS				INCOME			
SHAREHOLDERS' FUNDS				INTEREST ON LOAN & DEPOSITS		12040.00	12040.00
				{Tax deducted at source ₹1209.60 (₹ '000) (Previous Year ₹ 2728.26 (₹ '000))}			
SHARE CAPITAL	1	3019.95	3019.95	DIVIDEND		11365.86	7007.51
RESERVES AND SURPLUS	2	425148.24	414510.23	PROFIT ON REDEMPTION FROM MUTUAL FUND - CURRENT		14.54	-
				MISCELLANEOUS INCOME		0.13	-
				LIABILITY NO LONGER REQUIRED, WRITTEN BACK		-	54.63
		428168.19	417530.18			23420.53	19102.14
APPLICATION OF FUNDS				EXPENDITURE			
				ADMINISTRATIVE & OTHER EXPENSES	6	75.79	50.62
				LOSS ON SALE OF LONG TERM INVESTMENT		8588.21	-
						8664.00	50.62
DEFERRED TAX		-	3.53	PROFIT BEFORE TAX		14756.53	19051.52
				PROVISION FOR TAXATION			
				- CURRENT TAX		4115.00	4095.00
INVESTMENTS	3	228931.58	225959.55	- DEFERRED TAX		3.53	3.53
				PROFIT AFTER TAX		10638.00	14952.99
CURRENT ASSETS, LOANS AND ADVANCES	4	207474.14	204325.16	SURPLUS / (DEFICIT) FROM PREVIOUS YEAR		29369.26	19449.46
						40007.26	34402.45
				APPROPRIATIONS			
LESS: CURRENT LIABILITIES AND PROVISIONS	5	8237.53	12758.06	TRANSFER TO GENERAL RESERVE		-	1500.00
				TRANSFER TO RESERVE (AS PER RBI GUIDELINES)		2128.00	-
				INTERIM / FINAL DIVIDEND		-	3019.95
				CORPORATE DIVIDEND TAX		-	513.24
NET CURRENT ASSETS		199236.61	191567.10	SURPLUS CARRIED TO BALANCE SHEET		37879.26	29369.26
						40007.26	34402.45
				EARNINGS PER SHARE			
				BASIC AND DILUTED (₹)		35.23	49.51

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 7

As Per our report of even date
 For LODHA & CO.,
 Chartered Accountants

N K. LODHA
 Partner

Membership Number: 85155

New Delhi, the 10th June 2010

L.R. PURI
 A.K. KINRA
 P.K. RUSTAGI
 Directors

New Delhi, the 10th June 2010



SCHEDULES

₹ '000

As at
31.3.2010

As at
31.3.2009

Schedule 1

SHARE CAPITAL

AUTHORISED

3,02,000 Equity Shares of ₹10 each 3020.00 3020.00

ISSUED AND SUBSCRIBED

3,01,995 Equity Shares of ₹ 10 each fully paid 3019.95 3019.95

(Out of above 3,01,989 Equity Shares of ₹ 10 each fully paid are held by Holding Company - Fenner (India) Ltd.)

Note: 2,51,995 shares were issued pursuant to the scheme of arrangement without payment being received in cash.

Schedule 2

₹ '000

RESERVES AND SURPLUS

	As at 1.4.2009	Additions	Transfers	As at 31.3.2010
General Reserve	385140.99	-	-	385140.99
Reserve (As per RBI Guidelines)	-	2128.00	-	2128.00
Surplus in Profit & Loss Account	29369.25	37879.26	29369.26	37879.25
	414510.24	40007.26	29369.26	425148.24
Previous Year	403090.45	30869.25	19449.46	414510.24

Schedule 3

INVESTMENTS (Long Term other than Trade - At Cost)

	Class of Shares	As at 31.3.2010		As at 31.3.2009	
		Nos.	Value ₹ '000	Nos.	Value ₹ '000
A. Quoted Securities					
JK Sugar Limited	Equity	529136	31838.71	529136	31838.71
JK Tyre & Industries Limited	Equity	491000	44222.50	491000	44222.50
JK Lakshmi Cement Limited *	Equity	1447380	49457.89	723690	49457.89
JK Paper Limited	Equity	1589884	73682.21	1589884	73682.21
Sub Total (A)			199201.31		199201.31
B. Unquoted Securities					
Shares					
CliniRx Research Private Limited (Optionally Convertible Cumulative Redeemable Preference Shares)	OCCRPS	1000000	10000.00	1000000	10000.00
Bengal & Assam Company Limited	Equity	-	-	59932	16758.24
			10000.00		26758.24
Mutual Funds					
LIC MF Liquid Fund - Growth Plan	Units	265205	4410.83	-	-
ICICI Prudential Flexible Income Plan - Daily Dividend Reinvestment	Units	144851	15319.44	-	-
			19730.27		-
Sub Total (B)			29730.27		26758.24
Grand Total (A+B)			228931.58		225959.55

Aggregate book value of quoted Investments 199201.31 199201.31

Aggregate book value of unquoted Investments 29730.27 26758.24

Market Value of quoted Investments 296169.49 79383.85

Purchase and Sale of Mutual Fund during the year in Units 125612.79 -

* Face Value from ₹ 10/- to ₹ 5/- per Share

SCHEDULES

Schedule 4

	As at 31.3.2010	₹ '000 As at 31.3.2009
CURRENT ASSETS, LOANS AND ADVANCES		
A. Cash and Bank Balances		
Cash in Hand	0.96	-
Balance With Scheduled Banks on Current Accounts	<u>554.60</u>	<u>2454.55</u>
	<u>555.56</u>	<u>2454.55</u>
B. LOANS AND ADVANCES		
Inter Corporate Deposits	167000.00	167000.00
Interest Accrued and Due*	31749.82	22669.82
Income Tax Advance		
Payments (Including TDS)	<u>8168.76</u>	<u>12200.79</u>
	<u>206918.58</u>	<u>201870.61</u>

* Since Realised

Schedule 5

CURRENT LIABILITIES AND PROVISIONS

	As at 31.3.2010	As at 31.3.2009
A CURRENT LIABILITIES		
--Micro & Small Enterprises *	-	-
Other Liabilities	<u>27.53</u>	<u>25.06</u>
	<u>27.53</u>	<u>25.06</u>
B PROVISIONS		
Provision for Taxation	8210.00	12219.75
Corporate Dividend Tax	-	513.25
	<u>8210.00</u>	<u>12733.00</u>

* To the extent information available with the Management. Refer Note No. 3 of Schedule 7 B.

Schedule 6

ADMINISTRATIVE & OTHER EXPENSES

	2009-10	2008-09
Filing Fees	6.63	1.58
Auditors Remuneration		
- Statutory Audit Fee	22.06	22.06
- Tax Audit Fee	11.03	-
- Certification Charges	<u>15.53</u>	<u>5.50</u>
Directors Fees	3.00	3.00
Bank Charges	1.03	18.48
Charges General	6.28	-
STT Charges	<u>10.23</u>	-
	<u>75.79</u>	<u>50.62</u>

Schedule 7

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A ACCOUNTING POLICIES

- Accounts are maintained on accrual basis.
- Long Term Investments are stated at cost. Provision for diminution in value of long-term investment is made only if such a decline is other than temporary.
- Current Tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax Act 1961. Deferred Tax Asset and Liability are recognized, subject to prudence, on timing differences. Deferred Tax Asset is recognized on the basis of reasonable/virtual certainty that sufficient future taxable Income will be available against which the same can be realised.
- Contingent liabilities are not provided for and are disclosed by way of notes to the accounts.

B. NOTES TO ACCOUNTS

- Contingent Liability : NIL (Previous year - NIL)
- Computation of Earnings Per Share:

	2009-10	2008-09
Profit after Tax (₹ '000)	10638.00	14952.98
Weighted average no. of Shares	301995	301995
Earnings Per Share (₹)		
Basic	35.23	49.51
Diluted	35.23	49.51
- Based on the information so far available with the company/identified by the Company's management in respect of MSME (as defined in 'The Micro Small & Medium Enterprises Development Act, 2006') there are no delays in the payment of dues to such enterprises and no interest paid / payable during the year and there are no such dues payable at the year end.
- The Company has only one business segment namely Investment.
- In the opinion of the Board, Current Assets, Loans and Advances have value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- Deferred Tax assets Nil as at 31.3.2010 (Previous year ₹ 3.53 (₹ '000)) represents the difference on account of preliminary expenses to be amortised.



SCHEDULES

- 7 Disclosure in respect of Related Party pursuant to Accounting Standard 18 :

Ultimate Holding Company	: Bengal & Assam Co. Ltd.
Subsidiaries of Ultimate Holding Company	: Panchmahal Properties Ltd. Dwarkanesh Energy Ltd. LVP Foods Pvt Ltd.
Holding Company	: Fenner (India) Ltd. (w.e.f. 19.9.2009)
Subsidiaries of Holding Company	: Southern Spinners & Processors Ltd. Modern Cotton Yarn Spinners Ltd. Acorn Engineering Ltd.

Transaction with related parties

Bengal & Assam Co. Ltd.	
Interest Received	₹ 5922192 (Previous year - Not Applicable)
ICD Receivable from Bengal & Assam Co. Ltd as on 31.3.2010	₹ 160000000
Interest on ICD	₹ 31749820
Total	₹ 191749820 (Previous year - Not Applicable)

- 8 Income Tax calculation has been made considering certain allowances/adjustments available as assessed by the management.
- 9 No provision for diminution in the value of certain long term investments has been considered necessary, since in the opinion of the Management, such diminution in their value is temporary in nature considering the nature of investments, inherent value, investees' assets and expected future cash flows from such investments. However, as on date the aggregate market value of all the quoted investments is well above the aggregate book value of the quoted investments.
- 10 In the opinion of the management, the company is a Special Purpose Vehicle (SPV) and is not engaged in NBFC activities (including dealing in shares & securities) and all the investments are long term investments. Further the company has not accepted public deposit. Accordingly, guidelines issued by the RBI for Non Banking Finance Companies (NBFC) are not applicable to the company. However it has been advised to get the Company Registered as NBFC for which the necessary applications has already been filed with RBI. Accordingly, transfer to Reserve (as per RBI guidelines) has been made for the year.
- 11 Provision against Loss and Doubtful assets is NIL in terms of Reserve Bank of India Notification no. DNBS (PD) CC No.145/3.2.2001 / 2009-10.
- 12 Previous year figures have been re-arranged/re-grouped/re-cast, wherever considered necessary.
- 13 Schedules "1" to "7" form an integral part of the Accounts for the year ended 31st March, 2010.

Statement of Cash Flow

₹ '000

Particulars	31.3.2010	31.3.2009
A Cash flow from Operating Activities		
Net Profit / (Loss) before tax	14756.53	19051.52
Operating Profit before Working Capital Changes	14756.53	19051.52
(Increase)/Decrease in Trade and other Receivables	(9080.00)	(4662.09)
Increase/(Decrease) in Trade Payables	2.46	(53.33)
Loss on Sale of Investments (Net)	8573.67	-
Cash generated from Operations	14252.66	14336.10
Direct taxes (paid)	(4092.71)	(4075.01)
Corporate Dividend Tax	(513.24)	-
Net Cash from Operating Activities	9646.71	10261.09
B Cash flow from Investing Activities		
Purchase of Investments	(21819.43)	(10433.75)
Sale of Investments	10273.73	-
Net Cash used in Investing Activities	(11545.70)	(10433.75)
C Cash flow from Financing Activities		
Dividend paid (Including dividend tax)	-	(3019.95)
Net cash used in Financing Activities	-	(3019.95)
Net increase / (decrease) in Cash and Cash Equivalents	(1898.99)	(3192.61)
Cash and Cash Equivalents as at the beginning of the year	2454.55	5647.16
Cash and Cash Equivalents as at the end of the year	555.56	2454.55

Notes :

- Figures in brackets are outflows.
- Cash and Cash equivalent includes Cash in hand and Balance with Scheduled Banks.

As per our report of even date
For LODHA & CO.,
Chartered Accountants
N.K LODHA
Partner
Membership Number : 85155

L.R. PURI
A.K. KINRA
PK. RUSTAGI
Directors

New Delhi, the 10th June 2010

New Delhi, the 10th June 2010

SCHEDULES

Balance Sheet Abstract and Company's General Business Profile as per Part IV of Schedule VI to the Companies Act 1956

Particulars as per NBFC Directions as at 31.3.2010

(as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998)

(a) REGISTRATION DETAILS

Registration No. (CIN No.) **U67120DL2005PLC161088**
 State Code **55**
 Balance Sheet Date **31.3.2010**

(b) CAPITAL RAISED DURING THE YEAR

Public Issue -
 Rights Issue -
 Private Placement -
 Initial Capital -

(c) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

₹ '000
 Total Liabilities **436406**
 Total Assets **436406**

SOURCES OF FUNDS

Paid-up Capital **3020**
 Reserves & Surplus **425148**
 Secured Loans -
 Unsecured Loans -

APPLICATION OF FUNDS

Net Fixed Assets -
 Investments **228932**
 Net Current Assets **199236**
 Deferred Tax -

(d) PERFORMANCE OF THE COMPANY

₹ '000
 Turnover including other income **23421**
 Total Expenditure **8664**
 Profit Before Tax **14757**
 Profit After Tax **10638**
 Earnings Per Share (₹)
 Basic & Diluted **35.23**
 Dividend -

(e) GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per Monetary terms)
 Item Code **Not Applicable**
 Product / Service Description **Investment**

Particulars	₹ '000	
Liabilities side:		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :	Amount Out-standing	Amount Overdue
(a) Debentures : Secured	NIL	NIL
Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)		
- Current Liabilities	28	-
(2) Break - up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :	NA	NA
Assets side :	Amount outstanding	
(3) Break - up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured		NIL
(b) Unsecured (excluding advance tax of ₹ 8169)		198750



SCHEDULES

		₹ '000					
		Amount outstanding		(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):			
				₹ '000			
(4) Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/ HP activities		Nil		Category	Market Value / Break up or fair value or NAV***	Book Value (Net of Provisions)	
(5) Break-up of Investment :							
Current Investment :		Nil		1 Related Parties **			
Long term Investments				(a) Subsidiaries		NIL	NIL
1 Quoted :				(b) Companies in the same group*		NIL	NIL
(i) Shares: (a) Equity		199201		(c) Other related parties		NIL	NIL
(b) Preference		NIL		2 Other than related parties		325958	228931
(ii) Debentures and Bonds		NIL		Total		325958	228931
(iii) Units of mutual funds		NIL					
(iv) Government Securities		NIL		* The definition of group companies has been taken in terms of section 372(11) of the Companies Act 1956 as per RBI directive issued in September 2001.			
(v) Others (please specify)		NIL		** As per Accounting Standard of under Companies (Accounting Standard) Rules 2006.			
2 Unquoted :				*** For the purpose of market / Break-up Value, Quoted Share/ Units have been valued at Market Price as on 31.3.2010. The Unquoted Shares have been valued as per Break-up Value calculated as per Audited Balance Sheet as on 31.3.2009.			
(i) Shares : (a) Equity		NIL		(8) Other information			
(b) Preference		10000		Particulars		Amount	
(ii) Debentures and Bonds		NIL		(i) Gross Non - Performing Assets		-	
(iii) Units of mutual funds		19730		(ii) Net Non - Performing Assets		-	
(iv) Government Securities		NIL		(iii) Assets acquired in satisfaction of debt		-	
(v) Others (please specify)		NIL					
(6) Borrower group-wise classification of all leased assets, stock-on- hire and loans and advances:							
		₹ '000					
		Amount net of provisions					
Category	Secured	Unsecured	Total				
1 Related Parties **							
(a) Subsidiaries	NIL	NIL	NIL	For LODHA & CO.,	L.R. PURI		
(b) Companies in the same group*	NIL	NIL	NIL	Chartered Accountants	A.K. KINRA		
(c) Other related parties	NIL	191750	191750	N.K LODHA	P.K. RUSTAGI		
				Partner	Directors		
2 Other than related parties	NIL	7000	7000	Membership Number : 85155			
Total	NIL	198750	198750	New Delhi, the 10th June 2010	New Delhi, the 10th June 2010		

Directors' Report Acorn Engineering Ltd.

TO THE MEMBERS

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2010.

Profit for the year is ₹ 17409. Taking into account the surplus of ₹ 91436 brought forward from the previous year, an amount of ₹ 108845 has been carried to Balance Sheet.

DIRECTORS

Pursuant to Article 100 of the Articles of Association of the Company, Mr.C.Suresh Kumar, Director, retires by rotation and being eligible offers himself for re-appointment.

AUDITORS

Messrs N V Nathan & Co., Chartered Accountants, Madurai, the Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors in their report on accounts read with the relevant notes are self-explanatory.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is in receipt of remuneration in excess of the limits as given under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars of conservation of energy, technology absorption, foreign exchange outgo and earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) the accounting policies have been selected and applied consistently and judgments and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that period;
- (iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Chennai
16th June, 2010

On behalf of the Board
A.N.RAVICHANDRAN
V.ABRAHAM
Directors

Auditors' Report Acorn Engineering Ltd.

TO THE MEMBERS

We have audited the attached Balance Sheet of **Acorn Engineering Ltd.** as at 31st March 2010 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and we report that:-

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account dealt with by the Report are in agreement with the books of account.
4. On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
5. In our opinion, the Balance Sheet and Profit and Loss Account comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 and
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
7. In our opinion and according to the information and explanations given to us, since the Company has not engaged in any business activity during the year and as such clauses (i) to (xx) of paragraph 4 & 5 of the Companies (Auditors' Report) order 2003 are not applicable to the Company.
 - i) The Company has not incurred cash losses in the financial year under report.
 - ii) During the checks carried out by us, any fraud on or by the Company has not been noticed or reported during the year under report.
8. According to the information and explanations given to us in respect of statutory dues:
 - a) The Company is regular in depositing undisputed statutory dues, wherever applicable with appropriate authorities during the year.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax and Cess were in arrears, as at 31.3.2010 for a period of more than six months from the date they became payable.
 - c) According to the information and explanations given to us, there are no dues of Income Tax, Wealth Tax, Sales Tax and Cess which have not been deposited on account of any dispute.
9. The Company has not raised any money by way of Public Issue during the year.

Chennai
16th June, 2010

For N.V.NATHAN & CO.,(Regn. No. 002434S)
Chartered Accountants
N.VISWANATHAN
Partner
Membership Number: 025386



Acorn Engineering Ltd. BALANCE SHEET AS AT 31ST MARCH 2010

	₹ As at 31.3.2010	₹ As at 31.3.2009
SOURCES OF FUNDS		
Share Capital		
AUTHORISED		
1,00,000 Equity Shares of ₹10 each	1000000	1000000
50,000 10% Cumulative Redeemable Preference Shares of ₹10 each	500000	500000
	1500000	1500000
ISSUED AND SUBSCRIBED		
50,500 Equity Shares of ₹10 each fully paid up All the shares are held by the Holding Company, Fenner (India) Ltd. and its nominees.	505000	505000
RESERVES AND SURPLUS		
Surplus in Profit and Loss Account	108845	91436
	613845	596436
APPLICATION OF FUNDS		
INVESTMENTS - LICNF Liquid Fund (Quoted)	597097	575231
CURRENT ASSETS, LOANS AND ADVANCES		
Balance with Scheduled Bank - On Current Account	20957	21986
Advances recoverable in cash or in kind or for value to be received		
Income tax Advance payment	-	2528
	20957	24514
LESS: CURRENT LIABILITIES AND PROVISIONS		
Sundry Creditors	4209	3309
Provision for Taxation	-	-
	4209	3309
NET CURRENT ASSETS	16748	21205
	613845	596436
Aggregate value of Quoted Investments	597097	575231
Market Value of Quoted Investments	597097	575231

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	2009-2010	2008-2009
INCOME		
Income from Investments	21866	38376
Interest	302	250
(Tax deducted at Source Nil - Previous year Nil)	22168	38626
EXPENDITURE		
Filing Fees	900	612
Audit Fees	3000	3000
Bank Charges	550	550
Rates and Taxes	309	309
Professional Charges	-	500
	4759	4971
PROFIT BEFORE TAX	17409	33655
Provision for Taxation	-	-
PROFIT AFTER TAX	17409	33655
Balance brought forward from previous year	91436	57781
Balance carried forward	108845	91436

Per our report attached
For N.V.NATHAN & CO., (Regn. No.002434S)
Chartered Accountants

N.VISWANATHAN
Partner
Membership Number: 025386

Chennai, the 16th June 2010

A.N.RAVICHANDRAN
V.ABRAHAM
C. SURESH KUMAR
Directors

Chennai, the 16th June 2010

Statement of Cash Flow

₹

Particulars	31.3.2010	31.3.2009
A Cash flow from Operating Activities		
Net Profit before tax	17409	33655
Adjustments for :		
Depreciation	-	-
Interest Expense / (Income) - (Net)	(302)	(250)
Dividend Received	(21866)	(38376)
Operating Profit before Working Capital Changes	(4759)	(4971)
(Increase) / Decrease in Trade and other Receivables	-	-
(Increase) / Decrease in Inventories	-	-
Increase / (Decrease) in Trade Payables	900	(14884)
Cash generated from Operations	(3859)	(19855)
Direct taxes (paid)/Refund	2528	1980
Net Cash from Operating Activities	(1331)	(17875)
B Cash flow from Investing Activities		
(Purchase)/Sale of Investment (net)	(21866)	(38376)
Dividend Received	21866	38376
Net Cash used in Investing Activities	-	-
C Cash flow from Financing Activities		
Interest Income Received	302	250
Increase/(Decrease) in Cash Credit	-	-
Dividend Paid (including dividend tax)	-	-
Net Cash used in Financing Activities	302	250
Net increase / (decrease) in Cash and Cash Equivalents	(1029)	(17625)
Cash and Cash Equivalents as at the beginning of the year	21986	39611
Cash and Cash Equivalents as at the end of the year	20957	21986

Notes :

- Figures in brackets are outflows.
- Cash and Cash equivalent includes Cash in hand and Balance with Scheduled Banks.

Per our report attached
For N.V.NATHAN & CO., (Regn. No.002434S)
Chartered Accountants
N.VISWANATHAN
Partner
Membership Number: 025386

Chennai, the 16th June 2010

Balance Sheet abstract and Company's General Business Profile as per Part IV of Schedule VI to the Companies Act 1956.

I. REGISTRATION DETAILS

Registration No. **U74210DL1978PLC009175**
State Code **05**
Balance Sheet Date **31.3.2010**

II CAPITAL RAISED DURING THE YEAR (₹)

Public issue -
Rights issue -
Private Placement -

III DETAILS OF MOBILISATION AND DEPLOYMENT OF FUNDS (₹)

Total Liabilities **613845**
Total Assets **613845**

SOURCES OF FUNDS

Paid up Capital **505000**
Reserves and Surplus **108845**
Secured Loans -
Unsecured Loans -

APPLICATION OF FUNDS

Net Fixed Assets -
Investments **597097**
Net Current Assets **16748**
Miscellaneous Expenditure -
Accumulated Losses -

IV PERFORMANCE OF THE COMPANY (₹)

Turnover - Other income **22168**
Total Expenditure **4759**
Profit Before Tax **17409**
Profit After Tax **17409**
Basic / Diluted Earnings Per Share (₹)
Cash **0.34**
After Tax **0.34**
Dividend Rate (%) **Nil**

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

(As per Monetary terms)
Item Code No. (ITC Code) **Not applicable**
Product Description **Not applicable**

A.N.RAVICHANDRAN

V.ABRAHAM

C. SURESH KUMAR

Directors

Chennai, the 16th June 2010