

NAGREEKA EXPORTS LIMITED

SCHEDULE FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2010

SCHEDULE "O":

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS :

1. BASIS OF PREPERATION OF FINANCIAL STATEMENT:

The financial statements are prepared as a going concern under historical cost convention on accrual basis, except those with significant uncertainty and in accordance with the Companies Act, 1956 Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principles.

2. FIXED ASSETS :

Fixed assets are stated at cost less accumulated depreciation. Cost of fixed assets is inclusive of pre-operative expenses (Net of revenue) incurred up to the date of Commissioning of project/plant, exchange losses or gains arising on specific foreign currency loan taken for acquiring the assets.

3. CAPITAL WORK IN PROGRESS :

Pre-operative expenses incurred on Capital Work in Progress allocated to related Fixed assets on Pro-rata Basis.

4. CASH FLOW:

The Cash Flow statement has been prepared under the " **Indirect Method** " as set out in the Accounting Standard -3 "**Cash Flow Statement**" issued by the Institute of Chartered Accountants of India

5. DEPRECIATION AND AMORTISATION :

- a) Depreciation has been provided as per Straight Line Method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 and the relevant Accounting Standard issued by the Institute of Chartered Accountants of India. Plant & Machinery have been considered to be continuous Process Plants as defined in the said schedule on technical assessment and depreciation has been provided accordingly.
- b) Lease Hold Land is being amortised over the lease period.

6. INVESTMENTS :

- i. Quoted Investments are stated at Cost. Provision for diminution in long term investment is made only, if such a decline is other than temporary.
- ii. Unquoted investments are stated at Cost.

7. VALUATIONS OF INVENTORIES :

Raw Materials	:	Valued at Cost or Net Realisable Value whichever is lower (Cost is computed using "Weighted Average Cost Method").
Work-in-Progress	:	Valued at Cost or Net Realisable Value whichever is lower (Cost includes material Cost plus appropriate share of overhead)(Cost is computed Using "Weighted Average Cost Method").
Finished goods :		
i) Manufacturing goods	:	At Cost or Net Realisable Value whichever is lower (Cost includes Cost of Purchase, Conversion Cost, and other Cost i.e. overhead)(Cost is computed using "Weighted Average Cost Method").
ii) Trading goods	:	At Cost or Net Realisable Value whichever is lower (Cost is computed using" Specific Identification Method").
Packing Materials, Stores & Spare Parts	:	At Cost or Net Realisable Value whichever is lower (Cost is Computed Using "FIFO Method")
Waste	:	At Realisable Value

8. RECOGNITION OF INCOME AND EXPENDITURE :

- i. Items of Income & Expenditure are recognised on accrual basis.
- ii. Sales & Purchases are accounted for as and when deliveries are effected.

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SCHEDULE "O" (Contd.):

9. PROVISION, CONTINGENT LIABILITIES & CONTINGENT ASSETS:

Provision involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statement.

10. RETIREMENT BENEFITS TO EMPLOYEES :

Leave Encashment : Accrued liability for leave encashment has been provided for as per actuarial valuation.

Gratuity : Accruing liability for gratuity to employees is covered by the Group Gratuity-Cash – Accumulation Scheme of LIC of India and annual contribution due thereunder are paid /provided in accordance therewith.

11. FOREIGN CURRENCY TRANSACTIONS :

- i. **Export Sales** : At the rates as on the date of transactions.
- ii. **Expenditures** : At the rates as on the date of transaction. Outstanding amounts in respect of current assets/current liabilities are translated at the rate as at the close of the year, at the forward contract rates or at the rate at which liabilities/assets are likely to be disbursed/realised, wherever applicable, and the exchange difference thereon is adjusted in the Profit & Loss Account.
- iii. **Foreign Exchange Forward Contract** : - Exchange differences in respect of foreign exchange contract (other than for acquisition of fixed assets) are recognised as income or expense over the life of the contract.
- iv. Bank Balance in Foreign Currency Bank Account as at close of the year is translated at exchange rate as on that date.
- v. Loans in foreign currency for financing the fixed assets are converted at the prevailing exchange rate on the transaction dates. Liabilities payable in foreign currencies on the date of Balance Sheet are restated and all exchange rate differences arising from such restatement are adjusted with the fixed asset.

12. Financial Derivatives and Commodity Hedging Transaction

The company uses foreign currency forward contracts and currency options to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the "Accounting Standard 30 "financial Instruments: Regulation and measurement" (AS-30).

In respect of derivative contracts, premium paid, gain/losses on settlement and provision for losses for cash flow hedges are recognized in the Profit & Loss Account, except in case, where they relate to borrowing costs that are attributable to the acquisition or construction of fixed assets, in which case, they are adjusted to the carrying cost of such assets.

13. BORROWING COSTS :

Borrowing Costs in respect of fixed Assets charged to the respective fixed assets till the date of commercial use and in respect of others, is charged to Profit & Loss Account in the year, the same has been incurred.

14. PROVISION FOR CURRENT AND DEFERRED TAX:

Provision for Current Tax is made on the basis of taxable income for the current accounting period and in accordance with the provisions as per Income Tax Act, 1961.

Deferred Tax resulting from "timing difference" between book and taxable profit for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

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15. IMPAIRMENT OF ASSETS

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

16. GOVERNMENT GRANTS / SUBSIDIES

Government grants / subsidies are recognized when there is reasonable certainty that the same will be received. Revenue grants are recognized in the Profit & Loss Account either as income or deducted from related expenses. Capital grants / subsidies are credited to respective fixed assets where it relates to specific fixed assets. Other grants / subsidies are credited to the Capital Reserve.

B: NOTES ON ACCOUNTS:

1. **CAPITAL COMMITMENTS:** Estimated amount of contracts remaining to be executed on Capital Account and not provided for **Rs. Nil** (Net of advances) (Previous Year Rs. 185.00 Lacs).
2. **CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF :**
 - i. Bills discounted with Banks **Rs. 5484.31 Lacs** (Previous Year Rs. 2060.47 lacs).
 - ii. Bank Guarantees of **Rs. 144.70 lacs** (Previous Year Rs. 138.50 lacs) issued in favour of Custom, Central Excise & Other Government Authorities.
 - iii. **Disputed Statutory Dues :-**
 - a) The Income Tax Assessment of the Company have been completed up to Assessment Year 2007-2008. Disputed Income Tax Liabilities for which appeal is pending before different appellate authorities for Assessment Year **2000-2001& 2006-2007** is **Rs. 43.59 lacs**.
 - b) Disputed Sales Tax Liability for which appeal is pending before Maharashtra Sales Tax Appellate Tribunal for Financial Year **1998-1999** is **Rs. 7.01 lacs**.
 - c) Disputed Central Excise liability for which appeal is pending before different excise authorities relating to financial year from **2005-2006 to 2008-2009** is **Rs. 75.61 Lacs**.
Based on the decision of the Appellate authorities and the interpretations of the other relevant provisions, the Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.
 - d) Disputed liability on account of custom duty, current fees and interest thereon **Rs. 25.59 Lacs** has not been provided for as the Company has not acknowledged the debts.
3. **SECURED LOAN :**
 - i. Rupee Term loan from Canara Bank - Kolkata, Oriental Bank of Commerce – Kolkata and State Bank of Patiala – Mumbai is secured by
 - (a) an equitable mortgage ranking pari passu inter-se by deposit of title deeds of all the immovable properties of the company both present and future, relating to its spinning unit premises at Village : Yavluj, District : Kolhapur, Maharastra and
 - (b) by way of hypothecation ranking pari passu inter-se of all movable properties of the company both present and future including movable machineries, spares, tools & accessories (save & except book debts) subject to prior charges created or to be created in favour of the Company's Bankers, on its stock of Raw Materials, finished goods, consumable stores, book debts & such other movables as may be specifically permitted by the institutions in writing, to secure borrowings for working capital requirements and
 - (c) Personal guarantee of some of the Directors of the Company.

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- ii. Working Capital Term Loan from Canara Bank, Overseas Branch, Kolkata is secured by way of :
 - (a) hypothecation of stock of Raw materials, Work-in-process, finished goods and book debts relating to spinning unit at Village : Yavluj, District : Kolhapur, Maharashtra and stock-in-trade at trading unit Kolkata,
 - (b) Second charge on immovable properties of the company relating to above mentioned spinning unit, and
 - (c) Personal guarantee of some of the Directors of the Company.
- iii. Working Capital Loan from Canara Bank, Overseas Branch, Kolkata, Mumbai and Oriental Bank of Commerce, Overseas Branch, Kolkata are secured by way of :
 - (a) hypothecation of stock of Raw materials, Work-in-process, finished goods and book debts relating to spinning unit at Village : Yavluj, District : Kolhapur, Maharashtra and stock-in-trade at trading unit Kolkata,
 - (b) Second charge on immovable properties of the company relating to above mentioned spinning unit, and
 - (c) Personal guarantee of some of the Directors of the Company.
- iv. Working Capital Loan from ING Vysya Bank Limited, Overseas Branch, Mumbai is secured by way of :
 - (a) hypothecation of stock of raw materials, work in process, Finished goods, book debts relating to spinning unit at Village : Yavluj, District : Kolhapur, Maharashtra and
 - (b) second charge on immovable Properties of the Company relating to above mentioned spinning unit and
 - (c) Personal guarantee of some of the Directors of the Company.
- v. For the above loan a securitisation agreement entered in between the Company, AXIS Bank Limited and the above lenders.
- vi. Term Loans repayable within one year **Rs. 606.96 lacs** (previous year Rs. 160.00 lacs).
- vii. Working Capital Term Loan repayable withing one year Rs. Nil.

SCHEDULE "O" (Contd.):

- 4. Sales is net of Foreign Exchange difference Debit (Net) **Rs. 7.88 lacs** (Previous year Debit Rs 0.13 lacs.)
- 5. a) Sundry creditors includes outstanding dues to SSI undertakings amounting to **Rs. 4,74,153/-** (Previous year Rs.4,34,645/-) and no dues are outstanding for more than 30 days.
b) The Company has not received any information from its suppliers regarding registration under "The Micro, Small and Medium Enterprises Development Act, 2006." Hence the information required to be given in accordance with section 22 of the said Act, is not ascertainable. Hence, not disclosed.
- 6. Based on the information/documents available with the Company, there was no amount due and outstanding as on 31st March, 2010 which to be transferred to Investors Education and Protection Fund under Section 205C of the Companies Act, 1956.
- 7. As per Accounting Standard 28 issued by the institute of Chartered Accountants of India, the company has assessed recoverable value of generating unit based on value in used method which has worked out to be much higher than corresponding book value of net assets thereby not warranting further exercise of arriving at their net selling price. This further confirms absence of exigency of making any provision for impairment of asset(s)