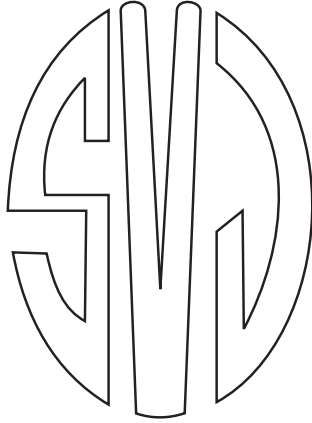




# Shantivijay Jewels Limited

**ANNUAL REPORT 2006-2007**



## SHANTIVIJAY JEWELS LIMITED

### BOARD OF DIRECTORS

#### BIMALCHAND GODHA

(Chairman & Managing Director)

#### JEFFREY K. STERN

#### SHAMBHUKUMAR S. KASLIWAL

#### JAYANT B. SHAH

#### APURVA R. SHAH

#### TUSHAR A. MAVANI (w.e.f. 30.06.2006)

#### PRADEEP B. GODHA

#### ANURAG B. GODHA

### REGISTERED OFFICE / WORKS

G 37, Gem & Jewellery Complex, Bldg. No. III,  
SEEPZ, Andheri (E), Mumbai-400 096.

### ADMINISTRATIVE OFFICE

L-1, Hotel Hilton Towers,  
Nariman Point,  
Mumbai-400 021.

### BANKERS

Canara Bank  
Overseas Branch,  
Nariman Point,  
Mumbai-400 021.

### AUDITORS

B.F. Chordia & Co.  
Chartered Accountants  
17/1004, Indradarshan,  
Oshivara Link Road,  
Andheri (West), Mumbai-400 053.

### REGISTRAR & TRANSFER AGENTS

Bigshare Services Pvt. Ltd.  
E-2/3, Ansa Industrial Estate, Sakivihar Road,  
Sakinaka, Andheri (E), Mumbai-400 072.

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### NOTICE

NOTICE is hereby given that the 34<sup>th</sup> Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096 on **Tuesday, 28<sup>th</sup> August, 2007 at 10.00 A.M.** to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors, thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri. Tushar Mavani, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Pradeep Godha, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

#### SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof for the time being in force) as also provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended (the "SEBI Guidelines") and any other applicable law or laws, rules, regulations, guidelines, schemes and clarifications (including any amendments thereto or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum of Association and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange where the equity shares of the Company are listed and subject to such approvals, permissions, consents and sanctions as may be necessary of Government of India("GOI"), Reserve Bank of India("RBI"), Securities and Exchange Board of India("SEBI"), Registrar of Companies ("ROC") and all other appropriate authorities, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "Board") which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent and approval of the Company be and is hereby accorded to the Board to issue, in the course of domestic/ follow on/international offerings or qualified institutional placement to Domestic/Foreign Investors/Institutional Investors/Foreign Institutional Investors, Qualified Institutional Buyers within the meaning of Chapter XIII A of the SEBI Guidelines, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks/ Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether members of the Company or not, through a public issue, a qualified institutional

placement (QIP) within in the meaning of Chapter XIII A of the SEBI Guidelines, preferential issue and/or any other kind of public issue or private placement, with or without over allotment / green shoe option, in one or more tranche(s), equity shares or any securities other than warrants which are convertible into or exchangeable with equity shares including Global Depository Receipts/Shares ("GDRs") and/ or American Depository Receipts/ Shares ("ADRs") and/or Foreign Currency Convertible Bonds ("FCCBs") and/or Convertible Bonds/Debentures and/or Euro-Convertible Bonds and/or Preference Shares whether Cumulative/Redeemable/ Partly Convertible/Convertible and/or Securities Partly or Fully Convertible into Equity Shares and/or Securities linked to Equity Shares and/or any instruments or Securities or such other types of Securities representing either Equity Shares or Convertible Securities, (hereinafter collectively referred to as "Securities") whether rupee denominated or denominated in foreign currency, listed on any stock exchange inside India or any stock Exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular or through any other mode, on such terms and conditions including pricing, the form and the investor(s) to whom such Securities may be issued and all matters connected therewith as the Board may in its sole and absolute discretion deem fit or decide."

RESOLVED FURTHER THAT the total amount raised through the aforesaid issue or offer of Securities should not, together with the over-allotment option, if any, result in issue of further shares exceeding 29.98 lakhs equity shares of Rs. 10/- each.

RESOLVED FURTHER THAT in case of qualified institutional placement of Securities within the meaning of Chapter XIII A of the SEBI Guidelines, the total amount raised in such manner should not, together with the over-allotment option exceed five times the net worth of the Company as per audited balance sheet of the previous financial year.

RESOLVED FURTHER THAT the Securities issued may be redeemed and/or converted and/or exchanged, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, in a manner as may be provided in terms of their issue.

RESOLVED FURTHER THAT the pricing of the Securities and the pricing of any equity shares issued upon conversion of the Securities shall be in accordance with all applicable laws and regulations, including, if applicable, with the QIP Guidelines issued by the SEBI.

RESOLVED FURTHER THAT if the allotment of Securities shall be to QIBs in accordance with the Qualified Institutional Placement in accordance with the Chapter XIII A of the SEBI Guidelines, such Securities shall be fully paid up and the allotment of such Securities shall be completed within 12 months from the date of this resolution.

RESOLVED FURTHER THAT the relevant date for the determination of the pricing of the equity shares/securities convertible into equity shares, that may be issued upon conversion or exchange of the Securities under the applicable SEBI guidelines is 29<sup>th</sup> July, 2007 i.e. the 30<sup>th</sup> day prior to the date of this Annual General Meeting.

RESOLVED FURTHER THAT :

- (i) the equity shares to be issued and allotted shall be subject to the provisions of the memorandum and Articles of Association of the Company; and

- (ii) the underlying equity shares unless otherwise stated, shall rank *pari passu* with the existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board, in consultation with the Lead Managers, Merchant bankers, Advisors, Underwriters and/or other persons appointed for this purpose, be and is hereby authorized to determine the form, terms and timing of the offering(s) including the investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, number of equity shares or other securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion or variation of the price or period of conversion or listings on one or more Stock Exchanges in India and/or outside India and related or incidental matters, as the Board in its sole and absolute discretion deem fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/or abroad and to do all acts, deeds, matters and things and to settle any question, difficulty or doubt that may arise in regard to any such issue, offer or allotment of Securities, utilization of the issue proceeds and in complying with any Regulations, as it may in its sole and absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such manner as it may deem fit and as permissible by law.

RESOLVED FURTHER THAT the Securities, if any, issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to appoint Lead Managers, Book-runners, Underwriters, Listing Agents, Trustees, Bankers, Guarantors, Custodians Depositories, Registrars, Legal Counsels, Advisors, and all such other Agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memorandum, documents etc., as may be necessary, with such agencies and also to file any registration statement and any other document and any amendment thereto with any relevant authority for Securities listing and trading, to seek the listing of such Securities on one or more National or International Stock Exchange(s).

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the abovementioned securities to be issued, by the creation of mortgage and/or charge on all or any of the Company's immovable and/or moveable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT the issue to the holders of the Securities of the equity shares underlying the Securities shall be, *inter alia*, subject to the following terms and conditions:

- (i) in the event of the Company making a bonus issue by way of capitalisation of its profits or reserves prior to the allotment of the equity shares, the number of equity shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium shall stand reduced pro tanto;
- (ii) in the event of the Company making a rights offer by issue of equity shares prior to the allotment of equity shares, the entitlement to the equity shares will stand increased in the same proportion as that of the rights offer and such additional equity shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders; and
- (iii) in the event of sub-division of shares, merger, amalgamation, takeover or any other re-organisation, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any Executive Director(s) or any other Officer(s) of the Company to give effect to the aforesaid Resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Smt. Sudha Godha holding and continuing to hold an Office of Profit as Marketing Executive under the Company from 1st October, 2006 on a gross remuneration not exceeding Rs.2,00,000/- per annum inclusive of perquisites/allowances as are normally provided by the Company as may be determined by the Board of Directors and/or the Chairman from time to time with power to make annual increments up to 25% every year."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Smt. Namita Godha holding and continuing to hold an Office of Profit as Marketing Executive under the Company from 1st October, 2006 on a gross remuneration not exceeding Rs.2,00,000/- per annum inclusive of perquisites/allowances as are normally provided by the Company as may be determined by the Board of Directors and/or the Chairman from time to time with power to make annual increments up to 25% every year."

BY ORDER OF THE BOARD

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN

**Registered Office:**

G-37, Gem & Jewellery Complex,  
Building No.III, SEEPZ, Andheri (East),  
Mumbai 400 096.

Dated: 29th June, 2007

## SHANTIVIJAY JEWELS LIMITED

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto and forms part of the Notice.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.
4. The Share Transfer Books and the Register of Members of the Company shall be closed from **Wednesday, 22<sup>nd</sup> August, 2007 to Tuesday, 28<sup>th</sup> August, 2007** (both days inclusive).
5. **The members are requested to note :**
  - (i) **Change of Address /Bank details :** Members holding shares in physical form are requested to inform M/s. Bigshare Services Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the members.
  - (ii) **Registrar and Share Transfer Agents :** M/s. Bigshare Services Private Limited at E-2 & 3, Ansa Industrial Estate, Sakinaka, Andheri(E), Mumbai 400 072, are Share Transfer Agents of the Company and the members are requested to send/address all their shares related matters/correspondence directly to them.
  - (iii) Corporate members are requested to send a duly certified copy of the board resolution authorising their representatives to attend and vote at the AGM.
  - (iv) **Shares of the Company are traded compulsorily in dematerialized form** for all investors. Shareholders are requested to open an account with Depository Participants, if not done so far.
  - (v) Section 109A of the Companies Act, 1956 provides for **Nomination** by the shareholders of the Company in the prescribed Form No. 2B for shares held in physical form. Bank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
  - (vi) Queries on accounts may please be sent to the Company 10 days in advance of the Annual general Meeting so that the answers may be made available at the meeting.
6. Brief resumes of Directors seeking re-election /re-appointment are as under:

Name of the Director	Shri. Tushar Mavani	Shri. Pradeep Godha
Age	41 years	46 years
Date of Appointment	30.06.2006	15.12.1986
Qualification	B.Com., L.L.B.	B.Sc.
Expertise in specific functional areas	Mr. Tushar Mavani is partner of M/s. Mulla & Mulla and Craigie Blunt & Caroe, Advocates & Solicitors since 1st April 2001 and has been in practice since 1991.	Manufacture and sale/export of Jewellery and diamonds identification
Chairmanship/ Directorship held in other public companies	Director in : Kotak Mahindra Trustee Co. Limited	Nil
Membership held in Committees of such Boards of other public companies	Member in : Shareholders Grievances & Remuneration Committee of the Company	Nil

## EXPLANATORY STATEMENT

### Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956

#### Item No. 6

To augment long terms funds to finance expansions, capital expenditure and long term working capital requirement for expansion of the existing business being planned and further to capture emerging business opportunities for growth, the Company has been considering to raise funds by issue of appropriate Securities.

Towards this an enabling resolution is proposed at Item No. 6 of the Notice to enable the Board to consider issue of appropriate Securities from amongst those described in the said resolution at appropriate time(s). These funds may be raised in one or more tranches/stages from time to time and could be raised either from domestic and/or international markets taking into account the costs and other related conditionality.

The proposed Special Resolution gives adequate flexibility in respect of working out the modalities of such issue as also to issue such securities /instruments in such tranche(s) at such time(s) and such price(s) as the Board may in its absolute discretion deem fit subject to the applicable laws, regulations and guidelines.

Under the provisions of Section 81 of the Companies Act, 1956 and the Listing Agreements executed by the Company with the Bombay Stock Exchange Ltd., the said offer of shares and/or Securities convertible into Shares to be issued by the Company would require consent of the Equity Shareholders by way of Special Resolution. The Special Resolution, if passed, will have effect of allowing the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company. In the circumstances, the approval of the shareholders is being sought for issuing the shares/securities in terms of the Resolution.

Further, the said securities may be secured by way of mortgage of the Company's assets or in any other manner in favour of the security holders. As the documents to be executed between the security holders and the Company may contain, as per normal practice, the power to take over management of the Company in certain events of default, it is necessary for the Company to obtain shareholders' approval through resolution under Section 293(1)(a) of the Act, before creation of the said mortgage.

Your Directors believe that such issue would be in the interest of the Company and therefore recommend the said Resolution for your approval as such.

None of the Directors of the Company is, in any way, concerned or interested in this resolution save and except that the Directors may be deemed to be concerned or interested in the resolution to the extent of securities that may be offered/allotted to them and/or their relatives and/or concerns, if any, controlled by them.

#### Item Nos. 7 and 8

Smt. Sudha Godha and Smt. Namita Godha have been holding office of profit under the Company as Marketing executives. Both are well experienced in the field of marketing of jewellery items. Both are also related to the promoter Directors of the Company. On account of annual increment, their monthly remuneration may increase beyond Rs.10,000/- per month.

Under the provision of Section 314(1) of the Companies Act, 1956, consent of the Company by way of special resolution is necessary for a relative of a Director to hold and continuing to hold an office of profit under the Company carrying a monthly remuneration of Rs.10,000/- or more.

In view of the business expediency, administrative convenience and to ensure due compliance of the applicable law, it is proposed to obtain consent of the Company as such for the payment of remuneration in the manner set out in the draft resolutions proposed at Item Nos. 7 and 8 of the Notice.

Your Directors recommend the said resolutions for your approval.

Shri. Bimalchand Godha, Shri Pradeep Godha and Shri Anurag Godha are interested in the said resolutions as they are related. None of the other Directors is, in any way, concerned or interested in the said resolutions.

BY ORDER OF THE BOARD

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN

**Registered Office:**  
G-37, Gem & Jewellery Complex,  
Building No.III, SEEPZ,Andheri(East),  
Mumbai 400 096.  
Dated: 29th June, 2007

## FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take informed decisions. This Report and other statements made by us contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using appropriate words. We cannot guarantee that those forward looking statements will be realised, although we believe, we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Hence actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward looking statements, whether as a result or new information, future events or otherwise.

## SHANTIVIJAY JEWELS LIMITED

### DIRECTORS' REPORT

TO THE MEMBERS OF SHANTIVIJAY JEWELS LIMITED

Your Directors present their 34<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2007

#### FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	Stand alone for the Company		Consolidated	
	2006-07	2005-06	2006-07	2005-06
Sales & Operating Income	5579.94	5398.38	6772.57	5820.30
Other Income	47.64	43.38	49.33	98.44
<b>Total Income</b>	<b>5627.58</b>	<b>5441.76</b>	<b>6821.90</b>	<b>5918.74</b>
Less : Operating costs	5396.66	5184.70	6499.11	5572.08
Depreciation	40.21	56.41	41.68	57.01
<b>Operating Profit</b>	<b>190.71</b>	<b>200.65</b>	<b>281.11</b>	<b>289.65</b>
Less : Interest	62.41	40.19	62.41	40.19
Extra-ordinary Items	3.66	37.37	3.66	37.37
<b>Profit Before Tax</b>	<b>124.64</b>	<b>123.09</b>	<b>215.04</b>	<b>212.09</b>
Less : Provision for Taxation				
- Current	15.51	54.59	15.51	54.59
- Fringe Benefit Tax	1.86	2.82	1.86	2.82
- Deferred	1.95	(28.08)	1.95	(28.08)
<b>Profit After Tax</b>	<b>105.32</b>	<b>93.76</b>	<b>195.72</b>	<b>182.76</b>
Add : Surplus broght forward	191.72	283.11	497.27	499.66
<b>Profit available for appropriation</b>	<b>297.04</b>	<b>376.87</b>	<b>692.99</b>	<b>682.42</b>
<b>Appropriations :</b>				
Transferred to General Reserve	8.00	14.00	8.00	14.00
Proposed Dividend	60.04	—	60.04	—
Interim Dividend	—	150.10	—	150.10
Tax on Dividend	10.20	21.05	10.20	21.05
<b>Balance carried to Balance Sheet</b>	<b>218.80</b>	<b>191.72</b>	<b>614.75</b>	<b>497.27</b>
<b>Earning Per Share (Rs.)</b>	<b>3.51</b>	<b>3.12</b>	<b>6.52</b>	<b>6.09</b>

#### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.2/- per share (20%) (Previous year : Rs. 5/- per share (50%) Interim). Dividend, if declared, at the ending Annual General Meeting will absorb Rs.60.04 Lakhs (Previous Year Rs. 150.10 lakhs).

#### OPERATIONS

During the year under review, Sales & Operating Income have increased to Rs.5579.94 lakhs from Rs. 5398.38 lakhs in the previous year, registering an increase of 3.36%. Consolidated Sales & operating Income have registered an increase of 16.36%. Operating Profits have been Rs. 190.71 lakhs against Rs. 200.65 lakhs in the previous year. Net Profit has been Rs.105.32 lakhs as against Rs. 93.76 lakhs in the previous year, an increase of 12.33%.

**Brand Initiative – "GIOVANCE "** : The Company's quality and designs are already well recognized and amongst the

best available in the international market. Hence, the Company had decided to take brand initiative to achieve growth in volume and profitability. Last year, *Giovance* was registered as trade mark in India. *Giovance* is now registered as trade mark in Japan as well. The Company would be taking steps to register *Giovance* trade mark in USA, UK and European countries.

**Expansion Initiative – Local Markets** : With a view to further capitalize on its core competence and well perceived quality and designs of the jewellery made by the Company, the Company is considering to establish a unit outside SEEPZ area to exploit increasing growth potential in domestic market.

**Expansion Initiative – International Markets** : The Company has procured allotment of unit in SEEPZ in June, 2007 which would be used to set up facilities to boost export sales.

**Equity Stake in Chinese Concern** : The Company has already been sourcing part of its requirements from China to meet

growing market demand and make its product more competitive. With a view to further improve its competitiveness, the Company would also consider taking equity stake in Chinese concern.

**Raising of Funds :** The Company is also considering to raise funds **by issue of further shares and / or other securities** as may be possible in the best interest of the Company and subject to and in due compliance of all applicable approvals, rules, regulations and laws to meet its requirements of funds for expansion of its facilities in and outside SEEPZ area to meet international as well as domestic market requirements. Towards this, necessary enabling resolutions are being proposed to be passed at the ensuing Annual general Meeting.

#### **SUBSIDIARY COMPANIES**

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of wholly owned subsidiary of the Company, namely, Shantivijay International Limited, Mauritius, and its wholly owned subsidiaries, namely, Shantivijay Impex FZCO, Dubai, U.A.E. and Shantivijay Impex DMCC along with the reports of the Board of Directors and Auditors' Reports thereon for the financial year ended 31<sup>st</sup> March, 2007 are annexed.

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Tushar Mavani and Shri. Pradeep Godha retire by rotation and, being eligible, offer themselves for reappointment.

#### **CORPORATE GOVERNANCE**

Report on Corporate Governance compliance is included as a part of the Annual Report along with the Auditor's Certificate.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report prescribed under the Listing Agreement is included as a part of the Annual Report.

#### **DISCLOSURE OF PARTICULARS**

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in the annexure to this Report.

There are no particulars to be disclosed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended up to date.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, we hereby state :

- (i) That in the preparation of the annual accounts for the Year ended March 31, 2007 the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

#### **AUDITORS**

B. F. Chordia & Co., Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. You are requested to appoint Auditors and fix their remuneration.

#### **ACKNOWLEDGEMENT**

The Directors would like to place on record their appreciation for the valuable co-operation extended to the Company by the employees of the Company, Government Departments, Bankers, Suppliers, Customers and Investors at large for their continuous support to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 29th June, 2007

Sd/-  
BIMALCHAND GODHA  
CHAIRMAN



**ANNEXURE TO DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of particular in the Report of Board of Directors) Rules, 1988.

**A. Conservation of Energy**

As the Company is not covered in the list of industries required to furnish details in the Form 'A' relating to conservation of energy, the same is not given.

**B. Technology Absorption**

Research and Development (R&D)

- |  |   |
|--|---|
| 1. Specific areas in which (R&D)                 | <ul style="list-style-type: none"> <li>- Manufacture of jewellery as per carried by the Company. international standard.</li> <li>- Process Software development for avoiding human error.</li> <li>- Conceptual designs.</li> <li>- Improvement in process of gold/platinum refining.</li> </ul>                 |
| 2. Benefits derived as a result of the above R&D | <ul style="list-style-type: none"> <li>- Precision of manufacturing.</li> <li>- Improved quality of production.</li> <li>- Minimization of loss.</li> <li>- Achieved consistency in production quality.</li> <li>- Production with remarkable decrease in processing loss &amp; better surface finish.</li> </ul> |
| 3. Future plan of action                         | <ul style="list-style-type: none"> <li>- Import of equipments, instruments etc. for further improvement in production as well as quality control.</li> </ul>  |
| 4. Expenditure on R & D                          | <ul style="list-style-type: none"> <li>- Nil</li> </ul>   |

**Technology Absorption, Adaptation and Innovation**

- |   |  |
|---|--|
| 1. Efforts, in brief, made towards technology absorption, adoption and innovation | <ul style="list-style-type: none"> <li>- The Company keeps itself abreast of the technical developments and innovation in Company's line of products world wide and tries to bring about improvements in the product for better yield, quality and cost effectiveness, etc.</li> </ul> |
|---|--|

- |   |   |
|---|---|
| 2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc. | <ul style="list-style-type: none"> <li>- As a result of above, the following benefits are achieved :<br/>- Cost Reduction.<br/>- Achievement in precision &amp; quality.<br/>- Use of indigenous equipment as import substitute.</li> </ul> |
| 3. Imported Technology.   | <ul style="list-style-type: none"> <li>- The Company has not imported any technology.</li> </ul>  |

**C. Foreign Exchange Earnings and Outgo**

(Rs. in Lakhs)

	<u>2006-07</u>	<u>2005-06</u>
Foreign Exchange earned	<u>5172.86</u>	<u>4946.38</u>
Foreign Exchange used :		
CIF value of Imports :		
– Raw materials	152.53	193.09
– Stores & consumable including spares	16.00	13.82
– Fixed Assets	0.00	2.26
– Finished Goods	99.53	120.20
Expenditure in foreign currency :		
– Travelling expenses	9.81	9.54
– Exhibition expenses	7.34	10.97
– Bank Charges	0.59	1.44
– Membership & Subscription	0.04	0.04
– Staff Training expenses	0.00	18.65
– Sales Commission	24.70	34.94
– Dividend (proposed)	1.19	2.98
	<u>311.73</u>	<u>407.93</u>

FOR AND ON BEHALF OF THE BOARD

Sd/-

Place : Mumbai  
Dated : 29th June, 2007

BIMALCHAND GODHA  
CHAIRMAN

## REPORT ON CORPORATE GOVERNANCE

Your Company has complied in all material respects with the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchange. A Report on the Corporate Governance compliance is furnished below :

### (1) Company's Philosophy on Corporate Governance

Good Corporate Governance helps enhancement of long term shareholder value and interest of other stakeholders. This is achieved through increased awareness for responsibility, transparency and professionalism and focus on effective control and management of the organization. The Board of Directors of the Company is committed to the consistent adherence to the corporate governance code and constant review of the Board processes, practices and the Management systems to maintain a greater degree of responsibility and accountability.

### Mandatory Requirements :

#### (2) Board of Directors

The constitution of the Board and other relevant details are given below :

During the year ended 31.03.2007, the Board consisted of 8 Directors, out of which 5(five) Directors were non-executive and 3(three) Directors were independent Directors. The Composition of the Board of Directors was thus in line with the stipulated requirements. Except Managing Director, the other Directors retire by rotation.

### (3) Audit Committee

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The terms of reference inter alia include overseeing financial reporting process, reviewing periodic financial results, financial statements, internal control and internal audit systems, accounting policies and practices, related party transactions, performance of internal and statutory auditors, adequacy of internal audit function, discussions with internal and statutory auditors.

During the year 2006-07, four Audit Committee meetings were held on 30.06.2006, 28.07.2006, 30.10.2006 and 25.01.2007.

The composition of the Audit Committee and other relevant details are given below :

Name of Director	Category	Profession	No. of meetings attended
Shri. S. S. Kasliwal, Chairman *	Independent	Industrialist	3
Shri. Rajendar J. Shah, Chairman **	Independent	Chartered Accountant	Nil
Shri. B. C. Godha	Executive	Industrialist	4
Shri. Apurva Shah	Independent	Chartered Accountant	4
Shri. J. B. Shah	Independent	Business	2

\* appointed Chairman on 30.06.2006 \*\* expired on 25.04.2006

Name of Director(s)	Category	No. of other directorship *	No. of Committee membership in all companies		No. of Board Meetings attended	Attendance at last AGM
			Chairman	Member		
Shri. Bimalchand G. Godha	Chairman & Managing Director	Nil	1	Nil	5	Yes
Shri. Shambhukumar Kasliwal	Independent	4	2	Nil	4	Yes
Shri. Rajendra J. Shah #	Independent	5	4	3	Nil	No
Shri Pradeep B. Godha	Whole-time Director	Nil	Nil	1	5	No
Shri Anurag B. Godha	Whole-time Director	Nil	Nil	1	5	Yes
Shri Apurva R. Shah	Independent	6	1 (alternate)	5	5	No
Shri. Jayant B. Shah	Independent	1	Nil	2	2	No
Mr. Jeffrey K. Stern	Non-Executive	Nil	Nil	Nil	Nil	No
Shri. Tushar Mavani **	Independent	1	1	1	4	No

\* This excludes directorships held in private limited and overseas companies.

# expired on 25.04.2006 \*\* appointed to fill casual vacancy on 30.06.2006

**Board meetings :** During the year 2006-07, five meetings were held on 15.04.2006, 30.06.2006, 28.07.2006, 30.10.2006 and 25.01.2007. The last Annual General Meeting (AGM) was held on 23.09.2006.

## SHANTIVIJAY JEWELS LIMITED

### (4) Shareholders' Grievance Committee

Terms of Reference of the Committee inter alia cover review / redressal of status of investor' complaints/grievances, review of performance of the Registrar & Share Transfer Agent and also to direct measures for improvements in investor services.

During the year 2006-07, two Committee meetings were held on 29.07.2006 and 24.01.2007.

The composition of the Shareholders' Grievance Committee and other relevant details are given below :

Name of Director	Category	No. of meetings attended
Shri. Tushar Mavani, Chairman *	Independent	Nil
Shri. Rajendra J. Shah, Chairman **	Independent	Nil
Shri. Pradeep Godha	Wholetime Director	2
Shri. Anurag Godha	Wholetime Director	2

\*expired on 25.04.2006 \*\* appointed on 30.06.2006

**Shareholders' Complaints :** Complaint received and resolved during the year was 1. No complaints were pending at the beginning or end of the financial year.

Number of pending share transfers as on 31.03.2007 was NIL  
No request for dematerialisation was pending for approval as on 31.03.2007.

### Name & Designation of Compliance Officer :

Shri Bimalchand Godha, Chairman and Managing Director

### (5) Remuneration of Directors

The Remuneration payable to the Directors is considered and approved by the Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 1956, having due regard to the relevant factors. Non-executive Directors are paid Sitting fees at the rate of Rs.5000/- for each of the meetings of the Board or Committee thereof attended by them. The details of remuneration paid / payable to each Director for the year ended 31.03.2007 are as under:

(Figures in Rs.)

Name of Director(s)	Sitting	Salary	Perquisites/ Allowances	Total
Shri. Bimalchand Godha	Nil	12,60,000	88,293	13,48,293
Shri.Shambhukumar Kasliwal	35,000	Nil	Nil	35,000
Shri Pradeep Godha	Nil	11,40,000	53,132	11,93,132
Shri Anurag Godha	Nil	11,40,000	1,96,790	13,36,790
Shri Apurva R. Shah	45,000	Nil	Nil	45,000
Shri. Jayant B. Shah	20,000	Nil	Nil	20,000
Shri. Tushar Mavani	20,000	Nil	Nil	20,000
Mr. Jeffrey K. Stern	Nil	Nil	Nil	Nil

All executive Directors are appointed under contracts each for a period of five year with effect from 01.09.2004 and with termination notice period of 90 days. All the executive Directors shall be entitled to compensation for loss of office in accordance with and subject to the provisions of the Companies Act, 1956 in case their offices are terminated before expiration and shall not have any other claim for damages against the Company.

None of the Directors have been issued or entitled to any stock options.

The Non-executive Directors, apart from receiving Directors' remuneration by way of sitting fees, approved by the Board of Directors within the limit fixed and approved by the shareholders, do not have any other material pecuniary relationship or transactions with the Company. None of the non-executive Directors hold any shares in the Company.

### (6) General Body Meetings

Details of last three Annual General Meetings are as under :

Year	Day, Date & Time	Venue	Special Resolutions passed for
2004	Tuesday, 03.08.2004 at 10.00 a.m.	G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096	<ul style="list-style-type: none"> <li>- Approval of reappointment of Shri. B. C. Godha as the Managing Director</li> <li>- Approval of reappointment of Shri. Pradeep Godha and Anurag Godha as the wholetime Directors</li> <li>- Approval for delisting of shares from Ahmedabad and Delhi Stock Exchanges</li> <li>- Approval for delisting of shares from the Stock Exchange, Mumbai</li> <li>- Approval to keep register of members, index and copies of all Annual Returns with related documents/certificates at the office of Bigshare Services Private Limited</li> </ul>
2005	Monday, 22.08.2005 at 10.00 a.m.	-Do-	<ul style="list-style-type: none"> <li>- Approval for payment of sitting fees to non-executive Directors</li> <li>- Approval for delisting of shares from the Stock Exchange, Mumbai</li> </ul>
2006	Saturday, 23.09.2006 at 10.00 a.m.	-Do-	<ul style="list-style-type: none"> <li>- Approval for increase of authorised share capital and consequent amendment of Memorandum &amp; Articles of Association</li> <li>- Approval for issue of further shares/securities u/s 81(1A)</li> </ul>

During the last year, the Company conducted Postal Ballot for the purpose of alteration of "Objects Clause" in its Memorandum of Association and consequent approval for commencement new

business. The postal ballot notice was issued on 22.08.2006 pursuant to Section 192A(2) of the Companies Act, 1956. Shri. Bimalchand Godha, Chairman and Managing Director was authorized for the entire process of postal ballot and Mr. Sunil M. Dedhia, Practising Company Secretary appointed by the Board as the Scrutinizer, submitted his report dated 23.09.2006 stating the result of voting as under. The results were announced by the Chairman at the registered office of the Company on 23.09.2006 at 11.00 a.m.

Number of votes in favour	Number of votes against	Result
28,091,340 (100%)	Nil(0.00%)	Passed as Special Resolution

**(7) Disclosures**

(a) The Code of Conduct for the Directors and the senior management of the Company has been laid down by the Board. The Code has been posted on the website of the Company. All the Board members and senior management of the Company have affirmed compliance with the Code of Conduct. A declaration to this effect, duly signed by the Managing Director is annexed hereto.

(b) The Company has continued to comply with the requirements of Stock Exchange, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the said authorities relating to the above.

(c) Transactions with related party are disclosed in the schedule 'N' - Notes to Accounts to the Annual Accounts in the Annual Report. There have been no materially significant related party transactions that may have potential conflict with the interests of the Company at large.

**(8) Means of Communication**

The quarterly results were published in Free Press Journal (English Newspaper) and Navshakti (Marathi Newspaper).

These results, official news releases are available on the website of the Bombay Stock Exchange Ltd. (www.bseindia.com) and the website of Securities and Exchange Board of India (SEBI) on (www.sebiedifar.nic.in)

All data required to be filed electronically pursuant to Clause 51 of the Listing Agreement with the Stock Exchanges, such as annual report, quarterly financial statements, Shareholding pattern, report on corporate governance are being regularly filed on the EDIFAR website viz. www.sebiedifar.nic.in in addition to the filing of the same with the stock exchanges.

**(9) General Shareholders Information**

**1. 34<sup>th</sup> Annual General Meeting – Day, Date, Time and Venue**

Day	Date	Time	Venue
Tuesday	28.08.2007	10.00 a.m.	G-37, Gems & Jewellery Complex, Building No. 3, SEEPZ, Andheri (East), Mumbai – 400 096

**2. Financial Calendar**

<b>Financial Year</b>	1st April to 31st March
<b>Adoption of Quarterly Results</b>	3 <sup>rd</sup> or 4 <sup>th</sup> week of the month following each calendar quarter
<b>Dates of Book Closure (Both days inclusive)</b>	22.08.2007 to 28.08.2007 (both days inclusive)
<b>Dividend Payment Date</b>	on or after 05.09.2007

**3. Listing & Liquidity on Stock Exchanges:**

Bombay Stock Exchange Limited  
Stock Code : 530989  
(included under S category)

**Listing fees :** The Company confirms that it has paid the annual listing fee to the Bombay Stock Exchange Ltd. where the shares of the Company are listed.

**Dematerialisation status :** Equity Shares of the Company are traded compulsorily in dematerialized form and available for trading in the depository systems of both NSDL and CDSL. Security Code No. with NSDL and CDSL is - ISIN INE 656D01015. As on 31<sup>st</sup> March, 2007, 134,382 Equity Shares representing 4.48 % of the Paid-up Share Capital of the Company is held in dematerialized form.

**4. Share Transfer Agents & Address for correspondence :**

**M/s Bigshare Services Private Limited  
E-2 & 3, Ansa Industrial Estate, Sakinaka,  
Andheri(E), Mumbai 400 072**

The shareholders are requested to address all their communications/ suggestions/ grievances/ queries to the Share Transfer Agents at the above address.

**5. Compliance Officer :**

**Shri. Bimalchand Godha,**  
Chairman & Managing Director  
G-37, Gem & Jewellery Complex,  
Building No. III, SEEPZ,  
Andheri (East), Mumbai 400 096  
Tel.: 28292749 /28290006  
E-mail : shanti@bom3.vsnl.net.in

In accordance with the Clause 47(f) of the Listing agreement, the Company has created a specific investor grievance e-mail ID: [shantivijay@reliancemail.net](mailto:shantivijay@reliancemail.net)

**6. Share Transfer System :**

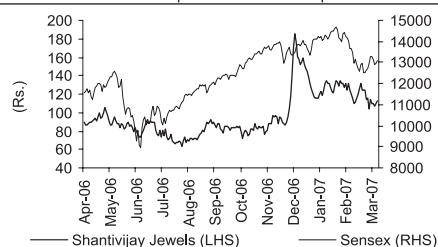
To expedite the transfer process in the physical segment, authority has been delegated to the Share Transfer Committee, which comprises of Shri. Bimalchand Godha, Shri. Pradeep Godha and Shri. Anurag Godha. Committee meets every fortnightly for approval of the transfer request, if any.

Reports on Share Transfer/transmission are placed before the Shareholders' Grievances Committee and the Board from time to time.

## SHANTIVIJAY JEWELS LIMITED

### 7. Market Price Data:

Month	Bombay Stock Exchange		
	High(Rs.)	Low(Rs.)	Volume
April 2006	105.00	82.00	8741
May 2006	95.50	81.80	4369
June 2006	92.00	72.25	680
July 2006	93.00	68.45	574
August 2006	74.40	62.10	6393
September 2006	98.00	68.30	6524
October 2006	86.00	72.00	2950
November 2006	97.60	73.50	4609
December 2006	204.30	81.05	31228
January 2007	162.85	111.10	21264
February 2007	140.90	110.00	6527
March 2007	137.00	95.00	17495



### 8. Shareholding Pattern as on 31.03.2007

Category	No. of Shares	%
Promoters – Indian	2796972	93.17
Non-promoters :		
Bodies Corporate	17795	0.59
NRI/OCBs	810	0.03
Public	126623	4.22
Foreign National	59600	1.99
Shares in transit	200	0.00
<b>Total</b>	<b>3002000</b>	<b>100.00</b>

### Auditors' Certificate on Corporate Governance

To the Members of  
Shantivijay Jewels Limited  
Mumbai

We have examined the compliance of conditions of corporate governance by Shantivijay Jewels Limited for the year ended on 31<sup>st</sup> March, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company

### Distribution of Shareholding as on 31.03.2007

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
1-500	379	78.96	48072	1.60
501-1000	27	5.63	19022	0.63
1001-2000	16	3.33	23905	0.80
2001-3000	6	1.25	16469	0.55
3001-4000	7	1.46	24340	0.81
4001-5000	3	0.62	13220	0.44
5001-10000	5	1.04	41195	1.37
10001-99999999	37	7.71	2815777	93.80
<b>TOTAL</b>	<b>480</b>	<b>100.00</b>	<b>3002000</b>	<b>100.00</b>

**9. Registered Office and Plant location :** G-37, Gems & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai – 400 096.

### 10. Outstanding Convertible Instruments

There are no outstanding convertible instruments. Convertible into in to equity shares.

### 11. CEO/CFO Certification

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Shri. Bimalchand Godha Chairman & Managing Director (CEO) and Shri. Pradeep Godha, Wholetime Director (CFO) was placed at the meeting of the Board of Directors held on 29.06.2007.

### Non-Mandatory Requirements

#### Remuneration Committee

The Remuneration Committee comprised of Shri. R. J. Shah, Chairman of the Committee (expired on 25.04.2006), Shri. Shambhukumar Kasliwal, Chairman of the Committee (w.e.f. 30.06.2006), Shri. Tushar Mavani (appointed 30.06.2006), Shri. Apurva Shah and Shri. Jayant Shah all of which are independent Directors. No Remuneration Committee meeting was held during the financial year ended 31.03.2007. Terms of Reference of this Committee include mandate to review and recommend/approve remuneration payable to the Managerial Personnel.

has taken steps to comply with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained for/by the Shareholders/Investors Grievance Committee.

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

**For B.F. CHORDIA & CO.**  
Chartered Accountants

Sd/-  
Place: Mumbai.  
Date: June 29, 2007.

**(B.F. Chordia)**  
Proprietor

## Management Discussion and Analysis Report

### Economic Overview

Indian Economy is increasingly becoming globalised. With economic growth rate of around 9 % per annum during last two years and possibility of sustaining the growth rate for few more years, more investments are being made in anticipation of high degree of business optimism. This would in turn foster growth in demands with higher disposable income in the hands of consumers.

India's exports have also seen higher growth rate. Special Economic Zones are expected to become new growth engine for exports.

These macro economic developments are expected to improve future prospects for the Company.

### Industry Structure and Developments

Over the last five years the development of the jewellery industry has really accelerated both in terms of quality of the product and the expansion in terms of sheer size. The Special Economic Zone, SEEPZ in Mumbai, in which the modern jewellery industry first took root, is now the world's largest single concentration of jewellery manufacturing units.

Recognizing significant contribution of Gem & Jewellery exports in total exports, recently, the Government announced various new measures in New Annual Supplement to Foreign Trade Policy 2004-2009 which inter alia exempted service Tax on services related to exports rendered abroad, re-import of Diamonds & Jewellery (either in complete or partial lot) exported on consignment basis have been allowed, duty free entitlement for consumables for export of rhodium plated silver jewellery has been increased to 3%, duty free import entitlement of tools, machinery & equipments has been allowed @ 1% of FOB value of exports during previous financial year and categorisation of exporters as One to Five Star Export Houses has been changed to Export Houses and Trading Houses with rationalization & change in export performance parameters. In the Budget for the year 2007-08, the Government has substantially reduced import duty on various gem & Jewellery items.

During the year 2006-07, provisionally, Gem & Jewellery exports from India registered a growth rate of 5.23% which has increased to 12.89 % during the first quarter of current financial year. India's share in the World Gold Jewellery accounts for about 15% in value terms.

India has also emerged as one of the fastest growing jewellery markets domestically. With the economic growth, there is a growing consuming class, and the development of an entirely new retail environment with malls, shopping centres and sleek retail outlets. Number of jewellery brands have been launched in the domestic market during the last two years, though they still represent very marginal per cent of the total diamond jewellery market.

### Financial and Operational Performance

The Company has achieved Sales of Rs. 5579.94 lakhs as compared to Rs.5398.38 lakhs in the previous year, registering a growth rate of 3.36%. Consolidated Sales have been Rs.6772.57 lakhs as against Rs.5820.30 lakhs in the previous year, registering a growth rate of 16.36%. Operating Profits have been Rs. 190.71 lakhs against Rs.200.65 lakhs in the previous year. Net Profit has increased to Rs.105.32 lakhs, with a growth rate of 12.33%.

### Segment-Wise Performance

The Company is engaged in the gems & Jewellery business, which as per Accounting Standard AS-17 is considered the only reportable business segment. Geographically, the Segment Reporting is as under:

	Rs. in Lakhs
<b>EXPORTS to :</b>	
U.S.A.	2566.47
EUROPE	1335.63
MIDDLE EAST	782.82
OTHERS	833.62
LOCAL SALES	51.96
<b>Total</b>	<b>5570.50</b>

### Opportunities

The Company on account of its unit located in Special Economic Zone is aptly placed to exploit the opportunities arising on account of the locational advantage and incentives and favourable policy measures being taken by the Government from time to time to boost exports of Gem and Jewellery.

The Company has a wholly owned subsidiary company in Mauritius which has already established wholly owned subsidiary Shantivijay Impex FZCO in Dubai, UAE to better tap demand from local customers and increasing number of visitors to Duty free shopping zones and world tourist traffic. This subsidiary also source its requirements from China which affords more competitiveness and benefits of operational leverage.

**Brand Initiative - "GIOVANCE"** : The Company's quality and designs are already well recognized and amongst the best available in the international market. Hence, the Company had decided to take brand initiative to achieve growth in volume and profitability. Last year, Giovance was registered as trade mark in India. Giovance is now registered as trade mark in Japan as well. The Company would be taking steps to register Giovance trade mark in USA, UK and European countries. This would help the Company to consolidate and sustain its volume growth.

**Expansion Initiative - Local Markets** : With a view to further capitalize on its core competence and well perceived quality and designs of the jewellery made by the Company, the Company is considering to establish a unit outside SEEPZ area to exploit increasing growth potential in domestic market.

**Expansion Initiative - International Markets :** The Company has procured allotment of unit in SEEPZ in June, 2007 which would be used to set up facilities to boost export sales.

With growing economies world over leaving higher disposable incomes in the hands of consumers, more particularly in emerging markets (like India, China, Hongkong, UAE etc.), the demand for jewellery is increasing. The expansion initiatives when implemented would help the Company better exploit these potentials for the Company.

**Equity Stake in Chinese Concern :** The Company has already been sourcing part of its requirements from China to meet growing market demand and make its product more competitive. With a view to further improve its competitiveness, the Company would also consider taking equity stake in Chinese concern.

**Raising of Funds :** The Company is also considering to raise funds by issue of further shares and / or other securities as may be possible in the best interest of the Company and subject to all applicable regulations and laws to meet its requirements of funds for expansion of its facilities in and outside SEEPZ area to meet international as well as domestic market requirements.

### **Threats**

The strengthening of rupee against major foreign currencies would reduce India's competitive position as a diamond and jewellery exporter. Presently, the Company is exposed to this risk in exchange rate fluctuations as the Company is entirely dependent on exports sales. However, the Company closely monitors and takes appropriate steps to reduce such risks with the help of expert and professional advices in this regard.

The United States - generalized System of Preferences benefit of 0% duty on Indian jewellery which had expired was extended till June 2007. With effect from 1st July 2007, the jewellery from India to USA will attract a basic import duty of 5.5%.

Competition would also grow which threat is countered by better quality and designs, branding, sourcing from cheaper markets like China, catering to changing customer demands/styles and cost control measures.

Increasing prices of raw materials can affect the profit margins. However, the Company thrives on improved production efficiency to counter this risk as far as possible.

### **Risk & Concern**

Since the Company is essentially engaged in the business of export of jewellery with major sourcing of materials by imports,

the Company is exposed to national and international political and economical events and uncertainties.

### **Internal Control Systems and their Adequacy**

The Company has appropriate and adequate Internal control System commensurate with its size and nature of business to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly complying with the applicable statutes. Financials and related aspects are reviewed by the Audit Committee with a view to achieve optimum resource utilization, veracity of accounts and compliance with various statutes.

### **Human Resource Development and Research Activities**

The Company has well experienced, creative, talented and motivated staff to cater to the business demands in terms of better designs, quality and precision in manufacture with minimum possible loss and consistency to meet international standards. The Company focuses on development of employees' skill at all levels and supports them with safe, pollution free and favourable working conditions.

Constant efforts are made to upgrade processes by devising appropriate software for avoiding human error, to make conceptual designs and improvement in process of gold/platinum refining to meet changing international standards/demands. As a result, the Company has been successful in sustaining its exports to the already developed markets and look forward towards developing new markets for sustained growth.

### **Outlook**

Going forward, the Company expects good potentials for growth domestically as well as internationally. The Company would be considering expansion of its infrastructure and facilities to better exploit future potentials. With the "GIOVANCE" brand and quality products, the Company expects to consolidate and sustain growth as also to win the end consumer loyalty.

### **Cautionary Statement**

Certain Statements in the "Management Discussion and Analysis" describing the Company's initiatives, expectations and estimates regarding future performance may be "forward looking statements". However, these statements are subject to certain future events and uncertainties, which could cause actual results to differ materially from those that may be indicated in such statements.

**AUDITORS' REPORT****To the Members of Shantivijay Jewels Limited**

1. We have audited the attached Balance Sheet of Shantivijay Jewels Limited as at March 31, 2007 and related Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Act and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 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 these books:
    - c. The Balance Sheet and Profit and loss Account and cash flow statement dealt with by this report are in agreement with the books of account:
    - d. In our opinion, Balance sheet and Profit & Loss A/c and cash flow statement dealt with by this report comply with applicable Accounting Standards referred to in section 211-(3) (C) of the Companies Act 1956.
    - e. Based on the representations made by all the Directors of the Company as on March 31, 2007 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima facie, have any disqualification as referred to in Clause (g) of subsection (1) to Section 274 of the Act on the said date.
    - f. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Notes thereon and attached thereto give in the prescribed manner the information required by the 'Act' and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:
      - (i) In the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2007; and
      - (ii) In the case of the Profit and Loss Account of the profit for the year ended on that date.
      - (iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For **B.F. CHORDIA & CO.**  
Chartered Accountants

Place: Mumbai  
Dated: 29th June 2007

**B.F. Chordia**  
Proprietor  
(M.No.9026)



## **ANNEXURE TO AUDITORS REPORT**

**Referred to in Paragraph No.3 of our report of even dated.**

### **1. In respect of its fixed assets:**

- i) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets on the basis of available information.
- ii) As explained to us, the management during the year has physically verified the fixed assets. No material discrepancies were noticed on such physical verification.
- iii) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the company is not affected.

### **2. In respect of its inventories:**

- i) As explained to us, inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.
- ii) In our opinion and according to the information and explanations given to us,  
  
The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.
- iii) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.

### **3. In respect of loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.**

- i) According to information & explanations given to us during the year the company has not granted any loans, secured/unsecured to the Companies, Firms & other parties covered by section 301 as the Company's Act.
- ii) Company had taken loan from one party .The maximum amount involved during the year was Rs.0.29 Lacs and year-end balance of loans taken from such party was Nil.
- iii) Loan taken is unsecured & free of interest. In our opinion and according to the information and explanations given to us terms & conditions are not prima facie prejudicial to the Company.
- iv) There were no outstanding loans.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods & services. During the course of our audit, we have not observed any major weaknesses in internal control system.

### **5. In respect of transaction covered under Section 301 of the Companies Act, 1956:**

- i) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Sections 301 of the Act have been so entered in the register required to be maintained under that section.
- ii) According to the information and explanations given to us, the transactions in the pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public except unsecured interest free short term advances from Director which is in Compliance with Provisions of Section 58A, 58AA or any other relevant provisions of the Act. No order has been passed by CLB, National law tribunal or RBI or any other court or Tribunal.

7. In our opinion, according to the information & explanations given to us the internal audit system of the Company is commensurate with its size and nature of its business.

8. Maintenance of cost records has not been prescribed by Central Govt. U/S 209(1) of the Companies Act, 1956.

### **9. In respect of statutory dues:**

- i) According to the information and explanations given to us and books & records produced & examined by us, in our opinion, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, ServiceTax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date of becoming payable.
- ii) According to the information and explanations given to us, The disputed statutory dues aggregating to Rs.40.44 lacs, that have not been deposited on account of matters pending before appropriate authorities are as under:

Sr.	Name of the Statute	Nature of the dues	Forum where dispute is Pending	Amount (Rs.)
1	Indian Income Tax Act 1961	Income Tax A.Y.2003-04 A.Y 2004-05	Income Tax CIT (Appeals) CIT (Appeals)	7.92 Lacs 26.67 Lacs
2	Bombay Sales Tax Act.	Sales Tax 1991-1992	Assistant Commissioner of Sales Tax Appeals	0.09 Lacs
3	Customs excise & Service Tax Act	Custom Duty	Custom & Service tax Appellate Tribunal Commissioner of Customs (Appeal) Airport.	4.51 Lacs 1.25 Lacs

10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in payment of dues to Bank except that a sum of Rs. 113.33 lacs on account of Bills Discounting were not paid by due date & were delayed by 39 to 80 days. However there were no such dues outstanding as on date of Balance sheet.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause 4 (xiii) of the Companies (Auditors Report) Order 2003 is not applicable to the Company.
14. During the year Company has not dealt or traded in Shares, Securities, Debentures and other Investments.

15. According to information and explanations given to us, Company has not given any guarantee for loans taken by others from any bank or financial institute.
16. Based on examination of the records and information and explanations given to us, no term loans have been obtained by the Company.
17. According to the information and explanations given to us and on the basis of records examined by us & as represented to us by management, on over all basis, funds raised on short term basis have, Prima facie, not been used during the year for long term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money by way of public issue during the year.
21. Based on the audit procedure performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, which have been relied upon by us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B.F. CHORDIA & CO.**  
Chartered Accountants

Sd/-  
**B.F. Chordia**  
Proprietor  
(M.No.9026)

Place: Mumbai  
Dated: 29th June 2007

**SHANTIVIJAY JEWELS LIMITED****BALANCE SHEET AS ON 31ST MARCH, 2007**

	SCHEDULES	As at 31.03.2007 (Rupees)	As at 31.03.2006 (Rupees)
<b>SHARE HOLDERS FUND</b>			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	197717174	194209408
<b>LOANS FUNDS</b>			
Secured Loans	C	108166841	123594011
TOTAL		<u>335904015</u>	<u>347823419</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	D	59478797	58678193
Less : Depreciation		<u>32509663</u>	<u>29401342</u>
		26969134	2927685
Capital Work in Progress		154360	0
<b>INVESTMENTS</b>			
Deferred Tax Asset	E	19185385	19551385
		2237000	2432000
<b>CURRENT ASSETS LOANS &amp; ADVANCES</b>			
Inventories	F	143076241	124899136
Debtors		144019868	114594094
Cash & Bank Balances		3470048	22757218
Loans & advances		<u>43496272</u>	<u>45093995</u>
		334062429	307344443
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	G	39679913	0
Provisions		<u>7024380</u>	<u>10781260</u>
<b>NET CURRENT ASSETS</b>		<b>287358136</b>	<b>296563183</b>
TOTAL		<u>335904015</u>	<u>347823419</u>
<b>NOTES TO THE ACCOUNTS</b>	N		

AS PER OUR ATTACHED REPORT

**B.F. Chordia & Co.**  
Chartered Accountants  
Sd/-  
**B.F. Chordia**  
Proprietor

Place : Mumbai  
Dated : 29th June, 2007

For **SHANTIVIJAY JEWELS LTD.****B.C. GODHA (M.D.)**

Sd/-  
Directors

**S.S.KASLIWAL****A.R.SHAH****A.K. GODHA**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENED 31ST MARCH, 2007**

SCHEDULES	For the year ended 31.03.2007 (Rupees)	For the year ended 31.03.2006 (Rupees)
<b>INCOME</b>		
Sales & Operating Income	H 557994110	535244187
Other income	I 4763708	4618288
Profit on Sale of Asset	O 0	4313140
<b>TOTAL</b>	<b>562757818</b>	<b>544175615</b>
<b>EXPENDITURE</b>		
Material Consumption	J 483178643	482981809
(Increase)/Decrease in the Stock	K 4646849	(17250176)
Manufacturing /Administrative/ Selling & Distribution expenses	L 51840719	52739059
Interest (Net)	M 6240553	4019063
Depreciation	4021300	5640647
Loss by Theft	0	2263783
Provision for Diminution in the value of Investments	366000	1472613
<b>TOTAL</b>	<b>550294064</b>	<b>531866798</b>
<b>Net Profit for the Year (Before Taxation)</b>	<b>12463754</b>	<b>12308817</b>
Less : Deferred Tax Liability (Asset)	195000	(2808000)
Less : Provision for Taxation	1550605	5459396
Less : Provision for Fringe benefit Tax	186003	281861
Add : Profit Brought/Forward	19172236	28311829
Net Profit available for Appropriation	29704382	37687389
Less : Transferred to General Reserve	800000	1400000
Less :Interim Dividend	0	15010000
Less : Proposed Dividend	6004000	0
Less : Tax on dividend	1020380	2105153
<b>Profit Carried to Balance Sheet</b>	<b>21880002</b>	<b>19172236</b>
Earning per share (Basic)(Equity Shares of Rs.10/- each)	3.51	3.12
<b>NOTES TO THE ACCOUNTS</b>	<b>N</b>	
( ) Indicates Deduction		

AS PER OUR ATTACHED REPORT

**B.F. Chordia & Co.**  
Chartered Accountants  
Sd/-  
**B.F. Chordia**  
Proprietor

Place : Mumbai  
Dated : 29th June, 2007

For **SHANTIVIJAY JEWELS LTD.****B.C. GODHA (M.D.)**Sd/-  
Directors**S.S.KASLIWAL****A.R.SHAH****A.K. GODHA**

## SHANTIVIJAY JEWELS LIMITED

### SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS

SCHEDULE 'A' SHARE CAPITAL	31.03.2007 Rupees	31.03.2006 Rupees
<b>Authorised</b> 6000000 Equity Shares of Rs 10/- each	<u>60000000</u>	<u>35000000</u>
<b>Issued</b> 3002000 Equity shares of Rs.10 each	<u>30020000</u>	<u>30020000</u>
<b>Subscribed &amp; Paid Up</b> 3002000 Equity Shares of Rs 10/- each fully paid. (Out of the above 700000 fully paid equity shares were issued as Bonus Shares by Capitalisation of General Reserves.)	<u>30020000</u>	<u>30020000</u>
<b>TOTAL</b>	<u>30020000</u>	<u>30020000</u>

### SCHEDULE 'B' RESERVE AND SURPLUS

Share premium	46797952	46797952
Capital Reserve	20055422	20055422
General Reserve Balance	108183798	106783798
Add : Transfer from Profit & Loss A/c	<u>800000</u>	<u>1400000</u>
Profit & Loss Account	<u>21880002</u>	<u>19172236</u>
<b>TOTAL</b>	<u>197717174</u>	<u>194209408</u>

### SCHEDULE 'C' SECURED LOANS FROM BANK

<b>PACKING CREDIT FROM CANARA BANK</b> (Against hypothecation of Gold,Diamonds, Jewellery, Collaterally secured by Plant & Machinery and other assets of the Company, secured by charge of immovable property of Precious Gems Pvt Ltd & Rajrani Godha, personally guaranteed by some of the Directors.)	108166841	88719767
DISCOUNTED BILLS FROM CANARA BANK	<u>0</u>	<u>34874244</u>
<b>TOTAL</b>	<u>108166841</u>	<u>123594011</u>

### SCHEDULE 'D' FIXED ASSETS

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2006	ADDITIONS DURING THE YEAR	SALE/ TRANSFER YEAR	TOTAL	UPTO 31.03.2006	FOR THE YEAR 31.03.2007	ADJ. ON SALE/ TRANSFER	UPTO 31.03.2007	AS ON 31.03.2007	AS ON 31.03.2006
Building	29602180	0	0	29602180	11635973	1796621	—	13432594	16169586	17966207
Plant & Machinery	16105184	56700	0	16161884	10171060	832516	0	11003576	5158308	5934124
Elec. Installation	1161674	7340	0	1169014	730528	67313	0	797841	371173	431146
Motor Vehicles	4704484	1327884	1158950	4873418	2321398	725139	900615	2145922	2727496	2383086
Office Equipments	5026792	400992	56813	5370971	3376969	391170	12366	3755773	1615198	1649823
Furniture & Fixtures	2077879	223451	0	2301330	1165416	208541	0	1373957	927373	912463
<b>TOTAL</b>	58678193	2016367	1215763	59478797	29401344	4021300	912981	32509663	26969134	29276849
Previous Year	89296182	5289989	35907978	58678193	24879815	5640647	1119118	29401344	29276849	64416367

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

<b>SCHEDULE 'E'</b>	<b>31.03.2007</b>	<b>31.03.2006</b>
<b>INVESTMENTS</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>QUOTED, NON-TRADING LONG TERM, At COST</b>		
300 Fully paid Equity shares of Rs10/- each of Gujarat Flurochemicals Ltd.	32475	32475
183000 fully paid Equity shares of rs.10/- each of German Garden Ltd.	2021613	2021613
4100 Fully paid Equity shares of Rs.35/- each of Canara Bank	143500	143500
	<u>2197588</u>	<u>2197588</u>
Less : Provision for Diminution in the value of Investment (Market Value Rs. 11.51 Lacs, Previous Year Rs.17.81 Lacs)	<u>1838613</u>	1472613
	<b>358975</b>	<b>724975</b>
<b>UNQUOTED IN WHOLLY OWNED SUBSIDIARY COMPANIES</b>		
450250 fully paid Equity shares of US \$ 1 each in Shantivijay Jewels International Ltd., Mauritius.	18826410	18826410
<b>TOTAL</b>	<u><u>19185385</u></u>	<u><u>19551385</u></u>
 <b>SCHEDULE 'F'</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>INVENTORIES</b>		
(As taken, valued & certified by Directors)		
Raw Materials	98018541	79950518
Finished Goods	41962517	41922527
Stores & Spares	3095183	3026091
<b>TOTAL</b>	<u><u>143076241</u></u>	<u><u>124899136</u></u>
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
Due for less than 6 months	128415270	114594094
Due for more than 6 months	15604598	—
(Including Rs.506.34 Lacs due from wholly owned subsidiary Company -M/s Shantivijay Impex Pr.year Rs.512.91 Lacs)	<u><u>144019868</u></u>	<u><u>114594094</u></u>
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	524014	619859
<b>Balance with scheduled banks</b>		
In current A/C	1809969	21031612
In fixed deposit A/C (with accrued interest)	852691	814273
In EEFC Account	283374	291474
<b>TOTAL</b>	<u><u>3470048</u></u>	<u><u>22757218</u></u>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances receivable in cash or in kind or for value to be received	21194019	20693952
Deposits with Government and other agencies	9835870	9336410
Taxes Paid	12466383	15063633
<b>TOTAL</b>	<u><u>43496272</u></u>	<u><u>45093995</u></u>

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007 (Rupees)	31.03.2006 (Rupees)
<b>SCHEDULE 'G'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) CURRENT LIABILITIES</b>		
<b>Sundry Creditors for Goods and expenses</b>		
Total outstanding dues to creditors other than small industrial undertaking	33332572	9411177
Due to Directors	598991	220330
Deposit received	1148350	1148350
Advance against Orders	4600000	0
<b>TOTAL</b>	<b>39679913</b>	<b>10779857</b>
<b>B) PROVISIONS</b>		
Proposed Dividend	6004000	0
Dividend tax payable	1020380	1403
<b>TOTAL</b>	<b>7024380</b>	<b>1403</b>
<b>SCHEDULE 'H'</b>		
<b>SALES AND OPERATING INCOME</b>		
Sales	557050271	535005736
Exchange fluctuation	943839	198951
Labour	0	39500
<b>TOTAL</b>	<b>557994110</b>	<b>535244187</b>
<b>SCHEDULE 'I'</b>		
<b>OTHER INCOME</b>		
Dividend	30060	12300
Misc Income	80587	0
Excess prov for exp written back	2138	12472
Rent recd (Tds of Rs.1044626/-)	4650923	4593516
<b>TOTAL</b>	<b>4763708</b>	<b>4618288</b>
<b>SCHEDULE 'J'</b>		
<b>MATERIAL CONSUMPTION</b>		
(Including sale of diamond 5345.12 cts of Rs.654.85 Lacs Other P/stones & Metals of Rs.1.03 Lacs.)		
Opening Stock of Raw Materials	79950518	98180029
Purchase of Raw Materials	495071283	454833396
Recovered out of Melting of Finished Goods	6175383	12043527
	581197184	565056952
Less : Loss by Theft	0	2124625
Less : Closing Stock of Raw Materials	98018541	79950518
<b>TOTAL</b>	<b>483178643</b>	<b>482981809</b>
<b>SCHEDULE 'K'</b>		
<b>INCREASE / DECREASE IN STOCK OF FINISHED GOODS /W.I.P.</b>		
Opening Stock of Finished Goods	41922527	22027908
Opening Stock of W.I.P	0	453952
Add : Purchases of Finished Goods	10862222	14234018
	52784749	36715878
Less : Closing Stock of Finished Goods	41962517	41922527
Less : Closing Stock of W.I.P	0	0
Less : Melting of Finished Goods	6175383	12043527
<b>TOTAL</b>	<b>4646849</b>	<b>-17250176</b>

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007 (Rupees)		31.03.2006 (Rupees)
<b>SCHEDULE 'L'</b>			
<b>MANUFACTURING/ ADMINISTRATIVE /SELLING &amp; DISTRIBUTION EXPENSES</b>			
<b>MANUFACTURING EXPENSES</b>			
Consumable Stores, Spares & Tools	3361953		3348543
Labour Charges	17000494		16097044
Rent	498006		498335
Electricity Charges	1549168		1512246
Repairs & Maintenance to Machinery	438894		598749
<b>EMPLOYMENT EXPENSES</b>			
<b>Employees Emoluments:</b>			
Salaries & Wages	6353052	7804618	
Contribution to PF & Other Funds (Incl. Rs.4.03 Lacs for Directors)	1369218	1371306	
Welfare Expenses	38276	34403	
	<u>7760546</u>		9210327
Directors Remuneration	3878215		3828871
<b>ADMINISTRATIVE EXPENSES</b>			
Professional & Technical Fees	1246262		1128697
Bank Charges	1311971		1457700
Rent	88920		88920
Rates & Taxes	322272		320092
<b>Repairs &amp; Maintenance:</b>			
Others	786827	597750	
Buildings	56356	843183	105862
Donations	1840257		1557701
<b>Auditors Remuneration:</b>			
As Auditors	120000	100000	
For Taxation Services	30000	20000	
For consultancy services	50000	30000	
	<u>200000</u>		150000
Insurance	798875		816060
Prior Period Items	49611		5716
Other Administrative Expenses	3336648		3536025
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>			
Advertisement Expenses	26042		29828
Exhibition Expenses	966036		875600
Travelling Expenses	2253941		2042001
Credit Cards Commission	20689		41981
Freight & Cartage	1009793		880590
Commission & Discount	3038943		4010421
<b>TOTAL</b>	<u><u>51840719</u></u>		<u><u>52739059</u></u>
<b>SCHEDULE 'M'</b>			
<b>INTEREST</b>			
Bank Interest	7031829		4359432
Interest on Housing loan	0		412368
	<u>7031829</u>		4771800
Less : Interest recd (Tds Rs 1.77 lacs)	791276		752737
<b>TOTAL</b>	<u><u>6240553</u></u>		<u><u>4019063</u></u>



**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

**SCHEDULE 'N'**

**ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS**

**A) SIGNIFICANT ACCOUNTING POLICIES**

**i) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and on the Principle of going concern and in accordance with applicable accounting standards adopted consistently. Company generally follows mercantile system of accounting and recognises significant items of income and expenditure on an accrual basis.

**ii) Use of Estimates**

The Preparation of financial statements require management to make certain estimates and assumptions that effect the amounts reported in financial statements and notes thereon. Difference in actual results & estimates are recognised in the period in which they materialize.

**iii) Fixed Assets**

The gross block of all fixed assets is stated at cost of acquisition less accumulated depreciation. Adjustment arising from exchange rate variation attributable to fixed assets are capitalized. Rubber moulds of small value have not been capitalized and considered as consumables and charged to revenue.

**iv) Depreciation**

Depreciation on all fixed assets is provided on written down value method at the rates and in the manner prescribed by Schedule XIV of the Companies Act 1956. Assets costing up to 5000/- are depreciated fully in the year of purchase. Depreciation on additions/ deletions of assets is provided on Pro-rata basis.

**v) Investments**

Long term Investments are valued at cost with an appropriate provision for permanent diminution in value.

Current investments are stated at cost or market value whichever is lower.

**vi) Inventories**

(A) Raw materials are valued at lower of the cost or net realisable value; cost is arrived at on FIFO basis. Cost includes costs incurred in bringing them to their present location.

(B) Stores & consumables are valued at cost.

(C) Finished goods are valued at lower of the cost or net realisable value. Cost of finished goods is determined by taking material, labour and appropriate factory overheads.

(D) Inventory of spares / tools, Rubber moulds is not valued and is charged to revenue.

**vii) Sales/ Revenue Recognition**

Sales are net of tax. Company recognises sales at the point of dispatch /delivery of the goods to the customer. Interest / rental income is recognised on time proportionate basis.

**viii) Foreign Currency Transactions**

a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prescribed by customs at the time of transaction.

b) Monetary items denominated in foreign currencies at the year-end are restated at year end rates. In case of monetary items covered by forward exchange contracts the difference between year end rates and rate on the date of contract is recognised as exchange difference and difference between contracted forward rate and the rate at the time of booking contract is recognised as income or expenditure over the life of contract.

c) Non-monetary foreign currency items are carried at cost.

d) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**ix) Employee Retirement Benefits**

Company have opted for Group Gratuity Scheme with LIC of India; Company's contribution based on a actuarial valuation by LIC is charged to Profit & Loss Account. Contribution to Provident /family pension fund as percentage of salary charged to profit & loss a/c on accrual basis.

Provision is made for annual leave Salary.

*Contd...*

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

**x) Provision for current and deferred taxes**

Provision for current tax is made considering Rules /benefits admissible under Income tax Act.

Deferred tax Asset resulting from timing difference between book and taxable profit for the year is calculated by using tax rates and tax laws that have been enacted or substantially enacted at the Balance sheet Date.

**xi) Provisions , Contingent liabilities and contingent Assets**

Provisions in respect of present obligation arising out of past events are made in account when reliable estimation can be made of the amount of obligation. Contingent liabilities are not provided for and if material are disclosed separately by way of note. Contingent Assets are neither recognised nor disclosed in financial statement.

**B) NOTES ON ACCOUNTS**

**1) CONTINGENT LIABILITIES.**

	2007 (Rupees)	2006 (Rupees)
i) In respect of Income tax matters contested by the company	34.59 Lacs	8.37Lacs
ii) In respect of Sales tax matters	0.09Lacs	0.09 Lacs
iii) In respect of Custom Duty matter	5.76 Lacs	4.51 Lacs

2) Figures of previous year has been regrouped and rearranged wherever necessary.

3) There are no dues and interest payable to small-scale industries. Company has not received information from supplier regarding their status under micro small and medium Enterprises Development Act 2006.

**4) DIRECTORS REMUNERATION**

	2007 (Rupees)	2006 (Rupees)
i) Salary	3540000	3360000
ii) Perquisites	338215	468872
iii) Contribution to P.F.	403200	403200
	<u>4281415</u>	<u>4232072</u>
iv) Estimated monetary value of Perquisite in the form of personal use of Assets at Residence.	20050	NIL

v) The above figures do not include contribution to Gratuity Fund for Directors, as separate figures are not available.

**5) RELATED PARTY TRANSACTIONS**

AS PER ANNEXURE 'A' ATTACHED

**6) SEGMENT REPORTING**

Company is exclusively engaged in the gems & Jewellery business, which as per Accounting Standard AS-17 is considered the only reportable business segment.

**GEOGRAPHICAL SEGMENT REPORTING (GEMS & JEWELLERY )**

COUNTRY	EXPORTS	BALANCE ON 31.03.2007	(Rs. in Lacs)	
			EXPORTS	BALANCE ON 31.03.2006
<b>EXPORTS</b>				
U.S.A	2566.47	388.26	2415.88	130.35
EUROPE	1335.63	172.20	1429.26	253.36
MIDDLE EAST	782.82	306.04	1093.24	575.41
OTHERS	833.62	571.68	15.36	0.00
<b>LOCAL SALES</b>	51.96	2.02	396.32	183.76
	<u>5570.50</u>	<u>1440.20</u>	<u>5350.06</u>	<u>1142.88</u>

**7) LEASE DISCLOSURES**

The Company has entered into Four Lease agreement and had given premises on lease for 33 months to others, which are in the nature of operating lease. Leased asset i.e. premises is shown as fixed assets. Gross value Rs. 257.33 lacs and accumulated depreciation Rs.100.49 lacs. Lease Income Rs.46.51 lacs is recognised on straight-line basis in the profit & loss account. Depreciation Rs. 17.43 lacs provided during the year at rates for which similar assets are depreciated.

Future lease rental receivable within the period of one year Rs.52.82 lacs (Pr. year 46.51 lacs) and lease rental receivable later than one year but not later than 5 years Rs. 88.04 lacs.

Contd...

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**

**8) Earning Per Share (EPS)**

EPS computed in accordance with Accounting standard –20

**Basic & Diluted**

	<u>2007</u>	<u>2006</u>
Profit after tax as per Accounts	Rs. 105.32 Lacs	Rs. 93.76 Lacs
Number of equity shares issued	3002000	3002000
Face value of the Shares	10	10
EPS (Basic & Diluted)(Rs.)	3.51	3.12

**9) Accounting for taxes on income**

The deferred tax Assets has arisen mainly on account of timing difference between depreciation admissible under Income tax rules and depreciation in books.

Major components of deferred tax assets are arising on account of timing differences as under,

**Deferred Tax Assets**

	<u>Upto</u> <u>31.03.2007</u>	(Rs. in Lacs) <u>Up to</u> <u>31.03.2006</u>
<b>Assets</b>		
Difference between book & Tax Depreciation	22.37	24.32
Deferred Tax Liability Provision required	1.95	(28.08)

10) Installed Capacity NOT APPLICABLE

11) Licensed Capacity NOT APPLICABLE

**12) QUANTITY DETAILS OF SALES**

	<u>QTY</u> <u>NO./Sets</u>	<u>2007</u> <u>VALUE (Rs.)</u>	<u>QTY</u> <u>NO./Sets</u>	<u>2006</u> <u>VALUE (Rs.)</u>
Jewellery & Objects of Arts	20809Nos.	4894.19Lacs	25538 Nos	4703.03Lacs
Diamond & Precious Stones	5345cts	674.01Lacs	5680Cts	646.49Lacs
Others		2.30Lacs		0.54 Lacs
		<u>5570.50 Lacs</u>		<u>5350.06 Lacs</u>

**13) QUANTITY DETAILS OF CONSUMPTION OF RAW MATERIALS**

				(Rs. in Lacs)
Gold	97.58 Kgs.	861.99	135.31Kgs.	886.16
Diamonds	24560 cts	3214.37	26837Cts	3189.36
Precious Stones & metal (Individual consumption Whereof accounts for less than 10% of total consumption.)		100.54		144.10
		<u>4176.90</u>		<u>4219.62</u>
Add : Diamond & Pr.stones resale	5584 cts	654.89	5680 cts	631.60
		<u>4831.79</u>		<u>4851.22</u>

Contd...

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)****14) CONSUMPTION OF IMPORTED & INDIGENOUS RAW MATERIALS & STORES**

A) RAW MATERIALS CONSUMED	(Rs. in Lacs)	%	(Rs. in Lacs)	%
Indigenous	4532.79	94%	4486.77	92%
Imported	299.00	6%	364.45	8%
<b>B) STORES &amp; TOOLS CONSUMED</b>				
Indigenous	15.44	47%	15.41	47%
Imported	17.62	53%	17.48	53%

**15) QUANTITY DETAILS OF PURCHASE OF FINISHED GOODS.**

Jewellery & Objects of Arts.	430 Nos	Rs. 108.62 Lacs	747Nos	Rs. 142.34 Lacs
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**16) QUANTITY DETAILS OF ACTUAL PRODUCTION**

Jewellery Articles & Objects Arts.(Net of broken)	20037 Nos	25254 Nos
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**17) FINANCIAL AND DERIVATIVE INSTRUMENT : -**

- 1) Forward exchange contract entered into by the company for hedging currency related risks and outstanding as on 31.03.2007 Rs.1117.14 lacs (US \$2500000) (Previous year Rs. 179.28 lacs US \$ 400000)
- 2) The Company uses foreign currency forward contracts to hedge its risk against foreign currency.
- 3) Foreign currency exposure that is not hedged by forward exchange contract as on 31.03.2007 Rs. 105.79 lacs on account of Export of goods.(Pr year Rs. 959.13 lacs and Rs. 76.23 lacs on account of Imports & services).

**18) CIF Value of import**

(Excluding inter unit purchases)	(Rs. in lacs)	(Rs. in lacs)
Raw Materials	152.53	193.09
Stores & Consumables & Spares	16.00	13.82
Finished Goods	99.53	120.20
Fixed Assets	0.00	2.26
	<u>268.06</u>	<u>329.37</u>

**19) EXPENDITURE IN FOREIGN CURRENCY**

Travelling Expenses	9.81	9.54
Exhibition Expenses & Advances	7.34	10.97
Bank charges	0.59	1.44
Membership & Subscription	0.04	0.04
Staff Training Expenses	0.00	18.65
Sales Commission	24.70	34.94
Dividend (Proposed )	1.19	2.98
	<u>43.67</u>	<u>78.56</u>

**20) EARNINGS IN FOREIGN EXCHANGE**

FOB value of Exports	5172.86	4946.38
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**21) No. Of Non Residential Share Holders**

No. Of Shares held by them	8	8
Dividend remitted	60900	60900
Year to which Dividend relates (Dividend not remitted during the year)	NIL	3.05
	March 2007	March 2006

**22) Stock of Finished Goods:**

	(2006 - 2007)		(2005-2006)		(2004-2005)	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Jewellery Articles & Objects of Arts.	1436 Nos.	419.63 Lacs	1778 Nos.	419.23Lacs	1315 Nos.	22028 Lacs

Contd...

## SHANTIVIJAY JEWELS LIMITED

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### 23) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. REGISTRATION DETAILS

Registration No. : **23289** State code : **11**  
Balance Sheet Date **31 03 2007**  
Date Month Year

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

Public Issue **NIL** Rights issue **NIL**  
Bonus Issue **NIL** Private issue **NIL**

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

Total Liabilities **335904** Total Assests **335904**

##### SOURCES OF FUNDS

Paid - up Capital **30020** Reserve & Surplus **197717**  
Secured Loans **108167** Unsecured Loans **NIL**

##### APPLICATION OF FUNDS

Net Fixed Assets **26969** Investments **19185**  
Net Current Assets **287358** Misc Expenditure **155**  
Accumulated Losses **NIL** Deferred Tax Asset **2237**

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

Turnover **562758** Total Expenditure **550294**  
Profit Before Tax **12464** Profit After Tax **10532**  
Earning Per Share in Rs. **3.51** Dividend Rate (%) **20**

#### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITX Code) **NIL**  
Product Description : **Gems & Jewellery Studded with precious stones**

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AS PER OUR ATTACHED REPORT

**B.F. Chordia & Co.**  
Chartered Accountants  
Sd/-  
**B.F. Chordia**  
Proprietor

Place : Mumbai  
Dated : 29th June, 2007

For **SHANTIVIJAY JEWELS LTD.**

**B.C. GODHA (M.D.)**

Sd/-  
Directors

**S.S.KASLIWAL**

**A.R.SHAH**

**A.K. GODHA**

**ANNEXURE 'A'**  
**ENCLOSURE FOR RELATED PARTY DISCLOSURE:**

(Figures in Rs.)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT 31.03.2007	OUTSTANDING 31.03.2007	TRANSACTION AMOUNT 31.03.2006	OUTSTANDING 31.03.2006
1	Shantivijay Impex FZCO	Wholly owned subsidiary co.	Sales	50633734	10908552 DR	88767476	51290936 DR
2	Shantivijay Impex FZCO	Wholly owned subsidiary co.	Purchases	4627313	0	12357846	0
3	Bimalchand Godha	Director	Remuner + perks advance recd	1348293 29145	466820 CR 0	1370297 0	144484 CR 0
4	Pradeep Kumar Godha	Director	Remuner + perks advance recd	1193132 0	70610 CR 0	1250298 13865000	49111 CR 0
5	Anurag Godha	Director	Remuner + perks Advance recd Sale of flat	1336790 0 0	61561 CR 0 0	1208277 2900000 39000000	26735 CR 0 0
6	Rajrani Godha	Wife of Director	Remuneration + Bonus and rent paid Security deposit paid Purchases of Stones	121790 0 400000	57076 CR 8500000 DR 0	113885 0 0	14045 CR 8500000 DR 0
7	Sudha Godha	Wife of Director	Remuneration + Bonus	157087	84176 CR	142740	25740 CR
8	Namita Godha	Wife of Director	Remuneration + Bonus	157087	113008 CR	142740	25740 CR
9	Varun Godha	Son of Director	Remuneration + bonus	45201	0	82183	0
<b>Surety given to Company's banker by Third parties</b>							
1	Precious Gems P.Ltd	Associate Company	Surety given to Company bankers (without any charge)	0	4000000	0	4000000
2	Rajrani Godha	Wife of Director	--do --	0	11000000	0	11000000

DR - Debit CR - Credit

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

	(Rupees in Thousands)	
	2007	2006
<b>A. CASH FLOW FROM OPERATION ACTIVITIES :-</b>		
Net Profit before tax & extraordinary items	12268	16045
Adjustments for :		
Depreciation	4021	5641
Interest paid	7032	4772
	<u>23321</u>	<u>26458</u>
Adjustments for :		
Interest/Dividend Received	(821)	(765)
Loss on sale of Assets	39	126
Profit on sale of Assets	(26)	(4439)
Loss by Theft	0	2264
Diminution in the value of Investment	366	1473
Provision for Deferred Tax Liability/Asset	195	(2808)
<i>Operating Profit before working capital changes</i>	<u>23074</u>	<u>22309</u>
Adjustments for :		
Trade & other receivables	(30425)	(40217)
Inventories	(18177)	(559)
Trade Payables	28900	2486
<i>Cash generated from Operation</i>		
Interest Paid	(7032)	(4772)
Taxes Refund	860	(7784)
<i>Net cash used in Operating activities</i>	<u>(2800)</u>	<u>(28537)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :-</b>		
Purchase of Fixed assets	(2171)	(5290)
Sale of Fixed Assets.	290	39102
Interest & Dividend Received	821	765
<i>Net cash used in Investment activities</i>	<u>(1060)</u>	<u>34577</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :-</b>		
Increase in Unsecured Advances	0	(7031)
Decrease in bank borrowings	(15427)	23354
Dividend Paid	0	(15010)
<i>Net cash used in Finance activities</i>	<u>(15427)</u>	<u>1313</u>
NET DECREASE IN CASH EQUIVALENTS (B + C-A)	<u>(19287)</u>	<u>7353</u>
Cash and Cash Equivalents		
Opening Balance	22757	15404
Closing Balance	<u>3470</u>	<u>22757</u>
	<u>(19287)</u>	<u>7353</u>

( ) Indicates deductions.

AS PER OUR ATTACHED REPORT

**B.F. Chordia & Co.**  
Chartered Accountants  
Sd/-  
**B.F. Chordia**  
Proprietor

Place : Mumbai  
Dated : 29th June, 2007

For **SHANTIVIJAY JEWELS LTD.**

**B.C. GODHA (M.D.)**

Sd/-  
Directors

**S.S.KASLIWAL**

**A.R.SHAH**

**A.K. GODHA**

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**Report of the Auditors' to the Board of Directors of Shantivijay Jewels Limited on Consolidated Financial statements.**

1. We have audited the attached consolidated balance sheet of Shantivijay Jewels Limited and its subsidiary companies as at March 31, 2007, and also the related profit and loss account and the cash flow statement for the year then ended. 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 did not audit the financial statements of the Subsidiary Companies, Shantivijay Jewels International Limited and its Subsidiary Shantivijay Impex FZCO and Shantivijay Impex DMCC Dubai whose financial statements reflect total assets (Net) of Rs. 612.37 lakhs as at March 31, 2007 and total revenues of Rs.1746.93 lakhs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the Subsidiary Companies, is based solely on the report of the other auditors.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These 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 the significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements,' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of Shantivijay Jewels Ltd. and its Subsidiary Companies included in the aforesaid consolidation.
4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of Consolidated Balance sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2007;
  - b) In the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended; and
  - c) In the case of the Consolidated Cash flow Statement, of the consolidated cash flows of the company and its subsidiaries for the year then ended.

**B.F. CHORDIA & CO.**  
CHARTERED ACCOUNTANTS  
Sd/-  
B.F.CHORDIA  
PROPRIETOR

Place: Mumbai  
Dated: 29th June, 2007.



**SHANTIVIJAY JEWELS LIMITED****CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2007**

	Schedules	AS AT 31.03.2007 (Rupees)	AS AT 31.03.2006 (Rupees)
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUND</b>			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	237312134	224764147
<b>LOANS FUNDS</b>			
Secured Loans	C	108166841	123594011
<b>TOTAL</b>		<b>375498975</b>	<b>378378158</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	D	60192872	59280406
Less : Depreciation		33069565	29814679
		27123307	29465727
Capital Work in Progress		4053745	3258420
<b>INVESTMENTS</b>			
	E	358975	724975
<b>DEFERRED TAX ASSETS</b>			
		2237000	2432000
<b>CURRENT ASSETS LOANS &amp; ADVANCES</b>			
	F		
Inventories		218454224	182631877
Debtors		179705123	120762965
Cash & Bank Balances		4933733	25486177
Loans & advances		44322747	45822238
		447415827	374703257
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	G	98665499	32204818
Provisions		7024380	1403
<b>NET CURRENT ASSETS</b>		<b>341725948</b>	<b>342497036</b>
<b>TOTAL</b>		<b>375498975</b>	<b>378378158</b>
<b>NOTES TO THE ACCOUNTS</b>	N	0	0

AS PER OUR ATTACHED REPORT

For SHANTIVIJAY JEWELS LTD

B. C. Godha. (M.D.)

Sd/-  
Directors

S. S. KASLIWAL

A. R. SHAH

A. K. GODHA

B. F. Chordia & Co.  
Chartered Accountants  
Sd/-  
B. F. Chordia  
Proprietor

Dated : 29th June, 2007

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

	Schedules	31.03.2007 (Rupees)	31.03.2006 (Rupees)
<b>INCOME</b>			
Sales & Operating Income	H	677257064	582029893
Other income	I	4932626	4770311
Profit on Sale of Asset		0	4313140
Exchange diff on translation & Consolidation		0	760507
<b>TOTAL</b>		<b>682189690</b>	<b>591873851</b>
<b>EXPENDITURE</b>			
Material Consumption	J	488178685	482715081
(Increase)/Decrease in the Stock	K	104675418	18628738
Manufacturing ,Maintenance & Administrative Expenses	L	55136729	55864831
Interest (Net)	M	6240553	4019063
Depreciation		4167865	5701297
Loss by Theft		0	2263783
Provision for Diminution in the value of Investments		366000	1472613
Exchange diff on translation & consolidation		1920465	0
<b>TOTAL</b>		<b>660685715</b>	<b>570665406</b>
<b>Net Profit for the Year (Before Taxation)</b>		<b>21503976</b>	<b>21208445</b>
Less : Deferred Tax Liability (Asset)		195000	(2808000)
Less : Provision for Taxation		1550605	5459396
Less : Provision for Fringe benefit Tax		186003	281861
Add : Profit Brought/Forward		49726975	49966940
Net Profit available for Appropriation		69299342	68242128
Less : Transferred to General Reserve		800000	1400000
Less :Interim Dividend		0	15010000
Less : Proposed Dividend		6004000	0
Less : Tax on dividend		1020380	2105153
<b>Profit Carried to Balance Sheet</b>		<b>61474962</b>	<b>49726975</b>
Earning per share (Basic)(Equity Shares)		6.52	6.09

**NOTES TO THE ACCOUNTS**

N

( ) Indicates Deduction

**AS PER OUR ATTACHED REPORT**

**B. F. Chordia & Co.**  
Chartered Accountants  
Sd/-  
**B. F. Chordia**  
Proprietor

Dated : 29th June, 2007

**For SHANTIVIJAY JEWELS LTD**

**B. C. Godha. (M.D.)**  
Sd/-  
Directors  
**S. S. KASLIWAL**  
**A. R. SHAH**  
**A. K. GODHA**

**SHANTIVIJAY JEWELS LIMITED**
**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF CONSOLIDATED ACCOUNTS**

	31.03.2007 (Rupees)	31.03.2006 (Rupees)
<b>SCHEDULE 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
6000000 Equity Shares of Rs 10/- each	<u>6000000</u>	<u>35000000</u>
<b>Issued</b>		
3002000 Equity shares of Rs.10/- each	<u>3002000</u>	<u>30020000</u>
<b>Subscribed &amp; Paid Up</b>		
3002000 Equity Shares of Rs 10/- each fully paid. (Out of the above 700000 fully paid equity shares were issued as Bonus Shares by Capitalisation of General Reserves)	<u>3002000</u>	<u>30020000</u>
<b>TOTAL</b>	<u><u>3002000</u></u>	<u><u>30020000</u></u>
<b>SCHEDULE 'B'</b>		
<b>RESERVE AND SURPLUS</b>		
Share premium	46797952	46797952
Capital Reserve	20055422	20055422
General Reserve Balance	108183798	106783798
Add :Transfer from P & L A/c	<u>800000</u>	<u>1400000</u>
Profit & Loss Account	<u>108983798</u>	<u>108183798</u>
	<u>61474962</u>	<u>49726975</u>
<b>TOTAL</b>	<u><u>237312134</u></u>	<u><u>224764147</u></u>
<b>SCHEDULE 'C'</b>		
<b>SECURED LOANS FROM BANK</b>		
<b>PACKING CREDIT FROM CANARA BANK</b>		
(Against hypothecation of Gold, Diamonds, Jewellery and Collaterally secured by Plant & Machinery, and other assets of the Company, secured by charge of immovable property of Precious Gems Pvt. Ltd. & Rajrani Godha and personally guaranteed by some of the Directors)	108166841	88719767
<b>DISCOUNTED BILLS FROM CANARA BANK</b>	0	34874244
<b>TOTAL</b>	<u><u>108166841</u></u>	<u><u>123594011</u></u>

**SCHEDULE 'D'**  
**FIXED ASSETS**

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2006	ADDITIONS DURING THE YEAR	SALE / TRANSFER	TOTAL	UPTO 31.03.2006	FOR THE YEAR 31.03.2007	ADJ. ON SALE/ TRANSFER	UPTO 31.03.2007	AS ON 31.03.2007	AS ON 31.03.2006
Building	29602180	0	0	29602180	11635973	1796621	0	13432594	16169586	17966207
Plant & Machinery	16105184	56700	0	16161884	10171060	832516	0	11003576	5158308	5934124
Elec. Installation	1161674	7340	0	1169014	730528	67313	0	797841	371173	431146
Motor Vehicles	4704484	1327884	1158950	4873418	2321398	725139	900615	2145922	2727496	2383086
Office Equipments	5186233	512854	56813	5642274	3423134	522615	12366	3933383	1708890	1763099
Furniture & Fixtures	2520651	223451	0	2744102	1532586	223661	0	1756247	987854	988065
<b>TOTAL</b>	<b>59280406</b>	<b>2128229</b>	<b>1215763</b>	<b>60192872</b>	<b>29814679</b>	<b>4167865</b>	<b>912981</b>	<b>33069563</b>	<b>27123307</b>	<b>29465727</b>
Previous Year	89820730	5367654	35907978	59280406	25232500	5701297	1119118	29814679	29465727	64588230

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF CONSOLIDATED ACCOUNTS**

	31.03.2007 (Rupees)	31.03.2006 (Rupees)
<b>SCHEDULE 'E'</b>		
<b>INVESTMENTS</b>		
<b>QUOTED, NON TRADING LONG TERM, AT COST</b>		
300 Fully paid Equity shares of Rs10/- each of Gujarat Flurochemicals Ltd.	32475	32475
183000 fully paid Equity shares of Rs.10/- each of German Garden Ltd.	2021613	2021613
4100 Fully paid Equity shares of Rs.35/- each of Canara Bank	143500	143500
	<u>2197588</u>	<u>2197588</u>
Less : Provision for Diminution in the value of Investment (Market Value Rs. 11.51 Lacs Previous Year Rs.17.81 Lacs)	<u>1838613</u>	<u>1472613</u>
	<u>358975</u>	<u>724975</u>
<b>TOTAL</b>	<u><u>358975</u></u>	<u><u>724975</u></u>
<b>SCHEDULE 'F'</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>INVENTORIES</b>		
(As taken, valued & certified by Directors)		
Raw Materials	98018541	89822184
Finished Goods	117340500	89783602
Stores & Spares	3095183	3026091
	<u>218454224</u>	<u>182631877</u>
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
Due for less than 6 months	151386194	98055826
Due for more than 6 months	28318929	22707139
	<u>179705123</u>	<u>120762965</u>
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	524014	692456
Balance with scheduled banks		
In current A/C	3273654	23687974
In fixed deposit A/C (with accrued interest)	852691	814273
In EEFC Account	283374	291474
<b>TOTAL</b>	<u><u>4933733</u></u>	<u><u>25486177</u></u>
<b>LOANS AND ADVANCES</b>		
Unsecured, considered good		
(Advances Receivable in cash or in kind or value to be received)		
	21194019	20693952
Deposits with Government and other agencies	10662346	10064653
Taxes paid	12466383	15063633
<b>TOTAL</b>	<u><u>44322747</u></u>	<u><u>45822238</u></u>

**SHANTIVIJAY JEWELS LIMITED****SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF CONSOLIDATED ACCOUNTS**

	31.03.2007 (Rupees)	31.03.2006 (Rupees)
<b>SCHEDULE 'G'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and expenses	92236474	27544253
Due to the Directors	598991	220330
Advance/Deposit Received	5830035	4440235
<b>TOTAL</b>	<b>98665499</b>	<b>32204818</b>
<b>B) PROVISIONS</b>		
Proposed Dividend	6004000	0
Dividend Tax payable	1020380	1403
<b>TOTAL</b>	<b>7024380</b>	<b>1403</b>
<b>SCHEDULE 'H'</b>		
<b>SALES AND OPERATING INCOME</b>		
Sales	676313225	581791442
Exchange Fluctuation	943839	198951
Labour	0	39500
<b>TOTAL</b>	<b>677257064</b>	<b>582029893</b>
<b>SCHEDULE 'I'</b>		
<b>OTHER INCOME</b>		
Dividend	30060	12300
Misc Income	249505	0
Excess prov for exp written back	2138	164495
Rent recd (Tds of Rs.1044626/- )	4650923	4593516
<b>TOTAL</b>	<b>4932626</b>	<b>4770311</b>
<b>SCHEDULE 'J'</b>		
<b>MATERIAL CONSUMPTION</b>		
(Including sale of diamond 5345.12 cts of Rs.654.85 Lacs Other P/stones & Metals of Rs.1.03 Lacs.)		
Opening Stock of Raw Materials	89822184	98180029
Purchase of Raw Materials	494123231	474365631
Recovered out of Melting of Finished Goods	2251811	2116230
	586197226	574661890
Less : Loss by theft	0	2124625
Less : Closing Stock of Raw Materials	98018541	89822184
<b>TOTAL</b>	<b>488178685</b>	<b>482715081</b>
<b>SCHEDULE 'K'</b>		
<b>INCREASE / DECREASE IN STOCK OF FINISHED GOODS /W.I.P.</b>		
Opening Stock of Finished Goods	89783602	67625253
Opening Stock of W.I.P.	0	453952
Add : Purchases of Finished Goods	134484127	42449365
	224267729	110528570
Less : Closing Stock of Finished Goods	117340500	89783602
Less : Melting of Finished Goods	2251811	2116230
<b>TOTAL</b>	<b>104675418</b>	<b>18628738</b>

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF CONSOLIDATED ACCOUNTS**

	31.03.2007 (Rupees)		31.03.2006 (Rupees)
<b>SCHEDULE 'L'</b>			
<b>MANUFACTURING/ ADMINISTRATIVE /SELLING &amp; DISTRIBUTION EXPENSES</b>			
<b>MANUFACTURING EXPENSES</b>			
Consumable Stores, Spares & Tools	3361953		3348543
Labour Charges	17000494		16097044
Rent	498006		498335
Electricity Charges	1607903		1562847
Repairs & Maintenance to Machinery	438894		598749
<b>EMPLOYMENT EXPENSES</b>			
Employees Emoluments :			
Salaries & Wages	6878314	8173741	
Contribution to PF & Other Funds (Incl. Rs.4.03 Lacs for Directors)	1369218	1371306	
Welfare Expenses	38276	8285808	34403
Directors Remuneration		3934778	9579450
<b>ADMINISTRATION EXPENSES</b>			
Professional & Technical Fees	1246262		1128697
Bank Charges	1375095		1548896
Rent	1201663		1041876
Rates & Taxes	322272		320092
<b>Repairs &amp; Maintenance :</b>			
Others	787958	606294	
Buildings	56356	844314	712156
Donations		105862	1720659
<b>Auditors Remuneration :</b>			
As Auditors	317290	202529	
For Taxation Services	30000	20000	
For consultancy services	50000	397290	30000
Insurance	798875		825711
Prior Period Items	49611		5716
Other Administrative Expenses	4451925		4278743
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>			
Advertisement Expenses	26042		29828
Exhibition Expenses	966036		924253
Travelling Expenses	2360550		2284468
Credit Cards Commission	20689		41981
Freight & Cartage	1009793		1100523
Commission & Discount	3038943		4024499
<b>OTHERS</b>			
Exchange Fluctuation	59278		54718
<b>TOTAL</b>	<b>55136729</b>		<b>55864831</b>
<b>SCHEDULE 'M'</b>			
<b>INTEREST</b>			
Bank Interest	7031829		4359432
Interest from Housing Loan	0		412368
	7031829		4771800
Less : Interest recd (Tds Rs 1.77 lacs)	791276		752737
<b>TOTAL</b>	<b>6240553</b>		<b>4019063</b>

**SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF CONSOLIDATED ACCOUNTS**

**SCHEDULE 'N'**

**NOTES TO ACCOUNTS**

**1) SIGNIFICANT ACCOUNTING POLICIES**

**i) Basis of Accounting**

The Financial statements are prepared under the historical cost convention and comply with the applicable Accounting Standards in the country of incorporation. Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on an accrual basis.

**ii) Principles of Consolidation**

a) a) The Consolidated financial statements relate to Shantivijay Jewels Ltd ('the company') and its wholly owned Subsidiary Company Shantivijay Jewels International Ltd Mauritius and it's Subsidiaries Shantivijay Impex FZCO & Shantivijay Impex DMCC Dubai. The consolidated financial statements have been prepared on the following basis.

The Financial statements of the Company and its Subsidiary Companies have been combined on a line -by -line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra -group transactions resulting in unrealized profits or losses.

b) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the companies separate financial statements.

c) The Subsidiary Companies considered in the consolidated financial statements are,

Name of the Company	Country of Incorporation	% of Voting Power held as at 31.03.2007
a) Shantivijay Jewels International Ltd.	Mauritius	100 %
b) i) Shantivijay Impex FZCO	Dubai	100 %
ii) Shantivijay Impex DMCC	Dubai	100 %
(Wholly owned subsidiary of Shantivijay Jewels International Ltd.)		

**iii) Exchange Adjustments**

Incase of Subsidiaries, the summarized revenue and expense transactions at the year-end reflected in profit & Loss Account have been translated into Indian Rupees at an average monthly exchange rate.

The assets and liabilities in the Balance sheet have been translated into Indian Rupees at the Closing exchange rate at the year end and Investment in Share Capital have been converted at the rate of transaction date.

The resultant translation exchange Loss has been recognised in the Profit & Loss Account.

**iv) Other Significant Accounting Policies**

These are set out in the Notes to Accounts under Significant Accounting Policies for Financial statements of the company and its Subsidiaries.

**v) Segment reporting**

Company is exclusively engaged in the gems & Jewellery business, which as per Accounting Standard AS-17 is considered the only reportable business segment.

**Geographical Segment Reporting**

COUNTRY	EXPORTS	BALANCE ON 31.03.2007	EXPORTS	(Rs. in lacs)
				BALANCE ON 31.03.2006
U.S.A	2568.15	388.26	2430.87	130.35
EUROPE	1916.15	296.01	1937.31	566.86
MIDDLE EAST	919.98	396.77	918.38	205.85
OTHERS	1306.89	713.99	135.03	117.75
LOCAL SALES	51.96	2.02	396.32	186.64
	<b>6763.13</b>	<b>1797.05</b>	<b>5817.91</b>	<b>1207.45</b>

**vi ) Contingent Liabilities**

	2007	2006
i) In respect of Income tax matters contested by the company	Rs. 34.59 Lacs	Rs. 8.37 Lacs
ii) In respect of Sales tax matters	Rs. 0.09 Lacs	Rs. 0.09 Lacs
iii ) In respect of Custom Duty matter	Rs. 5.76 Lacs	Rs. 4.51 Lacs
vii) Figures of previous year has been regrouped and rearranged wherever necessary.		

**viii) Earning per Share (EPS)**

EPS computed in accordance with Accounting standard -20.

Basic & Diluted

	2007	2006
Profit/Loss after tax as per Accounts	Rs. 195.72 Lacs	Rs. 182.75 Lacs
Number of equity shares issued	3002000	3002000
Face value of the Shares	10	10
EPS (Basic & Diluted) (Rs.)	6.52	6.09

**ix) Accounting for taxes on income**

Provision for current tax is made considering Rules /benefits admissible under Income tax Act and laws applicable under the respective countries.

Deferred tax Liability resulting from timing difference between book and taxable profit for the year is calculated by using tax rates and tax laws that have been enacted or substantially enacted at the Balance sheet Date.

**x) Related party transaction: As per Annexure "A" attached.**

**xi) Fixed Assets**

The gross block of all fixed assets is stated at cost less accumulated depreciation. Adjustment arising from exchange rate variation attributable to fixed assets are capitalized. Rubber moulds of small value have not been capitalized and considered as consumables and charged to revenue.

**xii) Depreciation**

Depreciation on all fixed assets of the parent Company is provided on written down value method at the rates and in the manner prescribed by Schedule XIV of the Companies Act 1956.

Depreciation on fixed assets of Subsidiaries are written off on straight-line method.

Depreciation charged to accounts on the above basis is in the opinion of Board of Directors reasonable and adequate.

**xiii) Investments**

Long term Investments are valued at cost with an appropriate provision for permanent diminution in value. Current Investments are stated at cost or market value whichever is lower.

**xiv) Inventories**

a) Raw materials are valued at lower of the cost or net realisable value; cost is arrived out on FIFO System.

b) Stores & consumables are valued at cost.

c) Finished goods.

i) Finished goods of Shantivijay Jewels Ltd are valued at lower of the cost or net realisable value. Cost of finished goods is determined by taking material, labour and related factory overheads.

ii) Finished goods of Subsidiaries have been valued at lower of the cost or net realisable value. Cost is determined by the FIFO method.

d) Inventory of spares & tools is not valued and is charged to revenue.

**xv) Foreign Currency Transactions.**

a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.

b) Monetary items denominated in foreign currencies at the year-end are restated at year end rates. Incase of monetary items covered by forward exchange contracts the difference between year end rates and rate on the date of contract is recognised as exchange difference and difference between contracted forward rate and the rate at the time of booking contract is recognised as income or expenditure over the life of contract.

c) Non-monetary foreign currency items are carried at cost.

d) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**xvi) Employee Retirement Benefits**

Company have opted for Group Gratuity Scheme with LIC of India; Company's contribution based on a actuarial valuation by LIC is charged to Profit & Loss Account. Contribution to Provident /family pension fund as percentage of salary charged to profit & loss a/c on accrual basis.

Provision is made for annual leave Salary.

AS PER OUR ATTACHED REPORT

**B. F. Chordia & Co.**  
Chartered Accountants  
Sd/-

**B. F. Chordia**  
Proprietor  
Place : Mumbai  
Dated : 29th June, 2007

For **SHANTIVIJAY JEWELS LTD**

**B. C. Godha.** (M.D.)

Sd/-  
Directors  
**S. S. KASLIWAL**  
**A. R. SHAH**  
**A. K. GODHA**



## SHANTIVIJAY JEWELS LIMITED

### ANNEXURE 'A' ENCLOSURE FOR RELATED PARTY DISCLOSURES:

(Figures in Rs.)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT 31.03.2007	OUTSTANDING 31.03.2007	TRANSACTION AMOUNT 31.03.2006	OUTSTANDING 31.03.2006
1	Bimalchand Godha	Director	Remuner + perks advance recd	1348293 0	466820 CR 0	1370297 0	144484 CR 0
2	Pradeep Kumar Godha	Director	Remuner + perks advance recd	1193132 0	70610 CR 0	1250298 13865000	49111 CR 0
3	Anurag Godha	Director	Remuner + perks Advance recd Sale of Flat	1336790 0 0	61561 CR 0 0	1208277 2900000 39000000	26735 CR 0 0
4	Rajrani Godha	Wife of Director	Remuneration + Bonus and rent paid Security deposit paid Purchases of Stones	121790 0 400000	57076 CR 8500000 DR 0	113885 0 0	14045 CR 8500000 DR 0
5	Sudha Godha	Wife of Director	Remuneration + Bonus Advance recd	157087 0	84176 CR 0	142740 0	25740 CR 0
6	Namita Godha	Wife of Director	Remuneration + Bonus advance recd	157087 0	113008 CR 0	142740 0	25740 CR 0
7	Varun Godha	Son of Director	Remuneration + bonus	45201	0	82183	0
8	International Financial	Company in which Directors are interested	Remuneration	56563	0	55647	0
<b>Surety given to Company's banker by Third parties</b>							
1	Precious Gems P.Ltd	Associate Company	Surety given to Company bankers (without any charge)	0	4000000	0	0
2	Rajrani Godha	Wife of Director	-do -	0	11000000	0	0

DR - Debit CR - Credit

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	2007 (Rupees)	(Rupees in Thousands) 2006 (Rupees)
<b>A. CASH FLOW FROM OPERATION ACTIVITIES :-</b>		
Net Profit before tax & extraordinary items	23979	22256
<b>Adjustments for :</b>		
Depreciation	4162	5702
Interest paid	7032	4772
	<b>35173</b>	<b>32730</b>
<b>Adjustments for :</b>		
Interest/Dividend Received	(821)	(765)
Loss on sale of Assets	39	126
Profit on sale of Assets	(26)	(4439)
Loss by Theft	0	2264
Profit on Sale of Investment	366	1473
Provision for Deferred Tax Liability/Asset	195	(2808)
Operating Profit before working capital changes	<b>34926</b>	<b>28581</b>
<b>Adjustments for :</b>		
Trade & other receivables	(21274)	(57556)
Inventories	(38725)	(9923)
Trade Payables	(3382)	24819
Cash generated from Operation	<b>(28455)</b>	<b>(14079)</b>
Interest Paid	(7032)	(4772)
Taxes refund	860	(7784)
Net cash used in Operating activities	<b>(34627)</b>	<b>(26635)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :-</b>		
Purchase of Fixed assets	(6181)	(5365)
Sale of Fixed Assets.	290	39102
Interest & Dividend Received	821	765
Purchase of Investments	0	(3258)
Net cash used in Investment activities	<b>(5070)</b>	<b>31244</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :-</b>		
Increase in Unsecured Advances	30749	(6614)
Decrease in bank borrowings	(15427)	23354
Dividend Paid	3899	(15010)
Net cash used in Finance activities	<b>19221</b>	<b>1730</b>
<b>NET DECREASE IN CASH EQUIVALENTS (B + C - A)</b>	<b>(20476)</b>	<b>6339</b>
Cash and Cash Equivalents		
Opening Balance	25410	19147
Closing Balance	4934	25486
	<b>(20476)</b>	<b>6339</b>
( ) Indicates deductions.		

AS PER OUR ATTACHED REPORT

**B. F. Chordia & Co.**  
Chartered Accountants  
Sd/-

**B. F. Chordia**  
Proprietor  
Place : Mumbai  
Dated : 29th June, 2007

For SHANTIVIJAY JEWELS LTD.

B. C. Godha. (M.D.)

Sd/-  
Directors  
**S. S. KASLIWAL**  
**A. R. SHAH**  
**A. K. GODHA**

## SHANTIVIJAY JEWELS LIMITED

### Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in the Subsidiary Companies

Name of Subsidiary Company	Shantivijay Jewels International Limited (Mauritius)	Shantivijay Impex FZCO (Dubai-UAE)	Shantivijay Impex DMCC
The financial year of the Subsidiary companies ended on	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2007
Date From which they become subsidiary Companies	22 <sup>nd</sup> May, 1998	24 <sup>th</sup> January, 2004	15 <sup>th</sup> June, 2005
a. Number of shares held by Shantivijay Jewels Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary companies	450250 Ordinary Shares of US \$ 1/- each fully paid up	1(One) Ordinary Shares of AED 100000/- each fully paid- up. (held through Shantivijay Jewels International Limited (Mauritius))	N.A * (*According to local law applicable to DMCC, shares can be issued only after the capital is deposited in a bank account which will be held by Shantivijay Jewels International Limited (Mauritius))
b. Extent of interest of holding company at the end of the financial year of the subsidiary companies	100%	100%	100%
4. The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding Company.			
a. Not dealt with in the holding Company's accounts			
i) For the financial year ended 31 <sup>st</sup> March, 2007	US\$ (7499/-) (equivalent to Rs.339330/-)	US\$ 277461/- (equivalent to Rs.12555091/-)	US\$ NIL (equivalent to Rs. NIL)
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	US\$ 368141/- (equivalent to Rs.17670851/-)	US\$ 323288/- (equivalent to Rs.14444392/-)	US\$ NIL (equivalent to Rs. NIL)
b. Dealt within holding Company's accounts:			
i) for the financial year ended 31 <sup>st</sup> March 2007	NIL	NIL	NIL
ii) For the financial years of the subsidiary companies since they became the holding company's subsidiaries	NIL	NIL	NIL

For **SHANTIVIJAY JEWELS LTD.**

**B.C. GODHA (M.D.)**

Sd/-

Directors

**S.S.KASLIWAL**

**A.R.SHAH**

**A.K. GODHA**

Place : Mumbai  
Dated : 29th June, 2007

## COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31st MARCH, 2007

### Activities

The principal activity of the Company is to hold investments.

### Results

The results for the year are shown in the Income Statement and related notes.

### Directors

The present membership of the Board: Dev Joory, Couldip Basanta Lala, Bimal Chand Godha, Pradeep Godha and Anurag Godha.

### Directors' responsibilities in respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

- ▣ Correctly record and explain the transactions of the Company;
- ▣ Disclose with reasonable accuracy at any time the financial position of the Company; and
- ▣ Would enable them to ensure that the financial statements comply with the Companies Act 2001.

## Independent Auditor's Report to the Shareholders of SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

(Company registered under the Companies Act, 2001 of Mauritius)

IFS Court, Twenty Eight, Cybercity,  
Ebene, Mauritius

We have audited the accompanying financial statements of Shantivijay jewels international limited, which comprise the balance sheet as at March 31, 2007, the income statement, statement of changes in equity and statement of cash flows for the period from April 1, 2006 to March 31, 2007 and a summary of significant accounting policies and other explanatory notes as set out on page - 4 to 14.

### Management's Responsibility for the Financial Statements

Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibilities includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The

The directors confirm that they have complied with the above requirements in preparing the financial statements.

### Auditors

The auditors, N.R.Doshi & Co. Chartered Accountants, have expressed their willingness to continue in office.

## CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of SHANTIVIJAY JEWELS INTERNATIONAL LIMITED under the Companies Act 2001 during the financial year ended 31 March 2007.

### For International Financial Services Limited Secretary

#### Registered Office:

IFS Court, Twenty Eight, Cybercity,  
Ebene,  
Mauritius

Date: June 5, 2007

procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of March 31, 2007 and of its financial performance and its cash flows for the period from April 1, 2006 to March 31, 2007, in accordance with the International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report related to the financial statements is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit.

### N.R. Doshi & Co.

Chartered Accountants  
Dubai, United Arab Emirates

Date: June 5, 2007

# SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

## BALANCE SHEET AS AT 31 MARCH, 2007

Notes	2007		2006		
	USD	RUPEES	USD	RUPEES	
<b>ASSETS</b>					
Non-current assets					
Investments	3	100,274	4,364,328	100,274	4,454,880
Advance to Subsidiary	4	719,867	31,227,831	725,706	32,381,002
		820,141	35,592,159	825,980	36,835,882
Current assets					
Deposits and prepayments	5	2,045	88,712	2,045	91,248
Cash and cash equivalents	6	4,093	177,554	4,118	183,745
		6,138	266,266	6,163	274,993
<b>Total assets</b>		<b>826,279</b>	<b>35,858,425</b>	<b>832,143</b>	<b>37,110,875</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	7	450,250	18,826,410	450,250	18,826,410
Retained earnings		360,642	16,364,527	368,141	17,670,851
		810,892	35,190,937	818,391	36,497,261
<b>Non Current liabilities</b>					
Employee Terminal Benefits		2,344	101,683	2,344	104,589
		2,344	101,683	2,344	104,589
<b>Current liabilities</b>					
Accruals		3,690	160,072	2,055	91,694
Other payables		9,353	405,733	9,353	417,331
		13,043	565,805	11,408	509,025
<b>Total equity and liabilities</b>		<b>826,279</b>	<b>35,858,425</b>	<b>832,143</b>	<b>37,110,875</b>

Approved by the Board on June 5, 2007  
and signed on its behalf by:

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Director

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	2007		2006	
	USD	RUPEES	USD	RUPEES
Income	0	0	0	0
<b>Expenses</b>				
Administration expenses	3,572	161,632	3,899	172,609
Directors fees	1,250	56,563	1,257	55,647
Secretarial fees	1,250	56,563	1,257	55,647
FSC Licence fees	1,500	67,875	1,478	65,431
ROC fees	250	11,313	250	11,068
Bank charges	25	1,131	362	16,026
	7,847	355,077	8,503	376,428
Over provision of tax	(348)	(15,747)	0	0
<b>Net loss for the year</b>	<b>(7,499)</b>	<b>(339,330)</b>	<b>(8,503)</b>	<b>(376,428)</b>

The notes on pages 11 to 17 form an integral part of these financial statements.

Approved by the Board on June 5, 2007  
and signed on its behalf by:

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Director

## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH, 2007

	Share Capital		Retained Earnings		Total	
	USD	RUPEES	USD	RUPEES	USD	RUPEES
At 1 April 2005	450,250	18,826,410	376,644	17,482,506	826,894	36,308,916
Net loss for the year	0	0	(8,503)	(188,345)	(8,503)	(188,345)
At 31 March 2006	450,250	18,826,410	368,141	17,294,161	818,391	36,120,571
Net loss for the year	0	0	(7,499)	(339,330)	(7,499)	(339,330)
<b>At 31 March 2007</b>	<b>450,250</b>	<b>18,826,410</b>	<b>360,642</b>	<b>16,954,831</b>	<b>810,892</b>	<b>35,781,241</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2007

	2007		2006	
	USD	RUPEES	USD	RUPEES
<b>Cash Flow from Operating Activities</b>				
Changes in working capital:				
Net loss for the year	(7,499)	(325,307)	(8,503)	(379,404)
Decrease in trade receivables	0	0	68,103	3,038,756
Increase in deposits and prepayments	0	0	(8)	(357)
Increase/(Decrease) in accruals and provisions	1,635	70,927	(8,373)	(373,603)
Increase in other payables	0	0	9,353	417,331
<b>Net cash flow (used in)/from operating activities</b>	<b>(5,864)</b>	<b>(254,380)</b>	<b>60,572</b>	<b>2,702,723</b>
<b>Cash flow from investing activities</b>				
Investment in subsidiary	0	0	(73,026)	(3,258,420)
<b>Net cash flow (used in)/investing activities</b>	<b>0</b>	<b>0</b>	<b>(73,026)</b>	<b>(3,258,420)</b>
<b>Cash flow from financing activities</b>				
Advances received from Shantivijay Impex FZCO	22,702	984,813	0	0
Advance paid to Shantivijay Impex DMCC	(16,863)	(731,517)	0	0
<b>Net cash flow used in financing activities</b>	<b>5,839</b>	<b>253,296</b>	<b>0</b>	<b>0</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(25)</b>	<b>(1,085)</b>	<b>(12,454)</b>	<b>(555,697)</b>
Cash and cash equivalents at beginning of year	4,118	178,639	16,572	739,443
<b>Cash and cash equivalents at end of year</b>	<b>4,093</b>	<b>177,554</b>	<b>4,118</b>	<b>178,639</b>

The notes on pages 11 to 17 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

## 1. GENERAL INFORMATION

The Company was incorporated in Mauritius under the Companies Act 1984 on 13 June 1997 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The address of the Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Mauritius.

The principal activity of the Company is to hold investments.

The financial statements of the Company are expressed in United States Dollars ("USD"). The Company's business or other activity is carried out in a currency other than the Mauritian rupee which is requirement of the Financial Services Development Act 2001.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

## (a) Basis of Preparation

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical estimates or judgements made by the Company for the period ended 31 March 2007.

The financial statements have been prepared on a historical cost basis, as modified by revaluation of financial assets and liabilities at fair value.

## (b) Financial Instruments

Financial instruments carried on the balance sheet include investments, cash and cash equivalents, advances to subsidiary, accruals and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Company is a party are provided in Note 9.

## (c) Investments in subsidiary

A subsidiary is a company over which the investor company, directly or indirectly has an interest of more than one half of the voting rights or otherwise has the power to exercise control over their operations.

Investment in subsidiary is recognised at cost. Under the cost method, the investment is recorded at cost. The income statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the subsidiary arising subsequent to the date of acquisition.

## SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

**Consolidated financial statements** The Company wholly owns Shantivijay Impex FZCO and Shantivijay Impex DMCC.

Under the requirements of the Mauritian Companies Act 2001 and IAS 27, a company is only exempted from the need to prepare consolidated financial statements where it is wholly owned or virtually wholly owned by another company.

### (d) Trade Receivables

Trade Receivables are carried at anticipated realisable value. A provision is made for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written off during the period in which they are identified.

### (e) Cash and Cash Equivalents

Cash and cash equivalents comprises of cash at bank and cash in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

### (f) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### (g) Foreign Currencies

#### i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

#### ii. Transaction and balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### (h) Expense recognition

All expenses are accounted for in the Income statement on the accrual basis

### (i) Deferred Taxation

Deferred tax is provided in using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacting tax rates are used to determine deferred tax.

The principal temporary differences arise from loss carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used.

### (j) Related parties

Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## 3. INVESTMENTS

	% Holding	2007		2006	
		USD	RUPEES	USD	RUPEES
Shantivijay Impex FZCO	100%	27,248	1,196,460	27,248	1,196,460
Shantivijay Impex DMCC	100%	73,026	3,167,868	73,026	3,258,420
		<u>100,274</u>	<u>4,364,328</u>	<u>100,274</u>	<u>4,454,880</u>

Management has opted to carry the investments at cost and hence income/loss on investment will be accounted as per note 2C.

## 4. ADVANCE TO SUBSIDIARY

	2007		2006	
	USD	RUPEES	USD	RUPEES
Amount due from Shantivijay Impex FZCO	703,004	30,496,314	725,706	32,381,002
Amount due from Shantivijay DMCC	16,863	731,517	0	0
	<u>719,867</u>	<u>31,227,831</u>	<u>725,706</u>	<u>32,381,002</u>

The loan is interest free and unsecured and is repayable after more than one year.

## 5. DEPOSITS AND PREPAYMENTS

	2007		2006	
	USD	RUPEES	USD	RUPEES
Licence fees	710	30,800	710	31,680
Secretarial fees	253	10,975	253	11,289
Directors fees	253	10,975	253	11,289
Deposits	829	35,962	829	36,990
	<u>2,045</u>	<u>88,712</u>	<u>2,045</u>	<u>91,248</u>

## 6. CASH AND CASH EQUIVALENTS

	2007		2006	
	USD	RUPEES	USD	RUPEES
Cash in hand	705	30,583	705	31,457
Cash at bank	3,388	146,971	3,413	152,288
	<u>4,093</u>	<u>177,554</u>	<u>4,118</u>	<u>183,745</u>

## 7. ISSUED CAPITAL

	2007		2006	
	USD	RUPEES	USD	RUPEES
Authorised 500,000 Ordinary shares of USD 1 each	500,000	20,905,000	500,000	20,905,000
Issued and fully paid: 450,250 Ordinary shares of USD 1 each	450,250	18,826,410	450,250	18,826,410

## 8. TAXATION

The Company is a tax incentive company, and under current laws and regulations, is liable to tax at the rate of 15%. The Company is however entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritius tax payable on its foreign source income thus reducing the maximum effective tax rate to 3%.

No Mauritian capital gain tax is payable on profits arising from sale of securities, and any dividends and redemption proceeds paid by the Company to its shareholders will be exempt in Mauritius from any withholding tax.

At 31 March 2007, the Company had accumulated tax losses amounting to **USD16,002 (Rs.527675/-)** (2006: USD8,503 Rs. 188345/-) and, therefore, no provision for income tax arises for the year.

*Tax reconciliation*

A reconciliation between the actual income tax rate of 0% (2006 - 0%) and the applicable income tax rate of 15% (2006 - 15%) is as follows:

	2007	2006
(As a percentage of loss before taxation)	%	%
Applicable income tax rate	15.00	15.00
Impact of :		
Exempt Income	0	0
Deferred tax assets not recognised	(15.00)	(15.00)
Actual income tax rate	0.00	0.00

*Deferred tax*

A deferred tax asset has not been recognised in respect of tax losses carried forward as the directors consider that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

**9. FINANCIAL INSTRUMENTS**

*Fair values*

The carrying amounts of investments, cash and cash equivalents, loan from subsidiary, accruals and other payables are stated at their fair values.

	2007 Financial Assets		2007 Financial Liabilities		2006 Financial Assets		2006 Financial Liabilities	
	USD	RUPEES	USD	RUPEES	USD	RUPEES	USD	RUPEES
U.A.E Dirhams	820,846	35,622,742	0	0	826,685	37,004,399	0	0
United States Dollars	3,388	146,971	13,043	565,805	3,413	15,228	11,408	509,025
	824,234	35,769,713	13,043	565,805	830,098	37,019,627	11,408	509,025

*Credit risk*

Financial assets, which potentially expose the Company to credit risk, comprises mainly of trade receivables and balance with the bank. The bank accounts are placed with high credit quality financial institutions.

*Interest Rate risk*

There is no interest rate risk as there are no borrowings from Bank or third party.

*Exchange Rate Risk*

There is no significant exchange rate risk as substantial part of the financial assets and liabilities are denominated in US Dollars or U.A.E Dirhams to which U.S Dollars is fixed.

**10. RELATED PARTY TRANSACTIONS**

The Company in the normal course of business enters into transactions with other business enterprises that fall within the definition of related party contained in the International Accounting Standards 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

The related parties of the Company are as under:

- (i) Shantivijay Jewels Ltd – Mumbai, India – Parent Company
- (ii) Shantivijay Impex FZCO – Gold and Diamond Park, U.A.E. It is a wholly owned subsidiary.
- (iii) Shantivijay Impex DMCC – U.A.E. It is a wholly owned subsidiary.
- (iv) International Financial Services Limited – Secretary, Mauritius. The Directors of the Company are also directors in the above company.

	2007		2006	
	USD	RUPEES	USD	RUPEES
<b>Shantivijay Impex FZCO</b>				
Investment	27,248	1,196,460	27,248	1,196,460
Advances	703,004	30,496,314	725,706	32,381,002
<b>Shantivijay Impex DMCC</b>				
Investment	73,026	3,167,868	73,026	3,258,420
Advances	16,863	731,517	0	0
International Financial Services Ltd.				
Directors' Remuneration	1,250	56,563	1,257	55,647

**11. PREVIOUS YEARS' FIGURES**

Previous year's figures are re-grouped or re-classified wherever necessary so as to conform to the current year's presentation.

**12. HOLDING COMPANY**

The Company regards Shantivijay Jewels International Ltd as its immediate Holding Company.

**13. SIGNIFICANT EVENTS**

There were no significant events occurring after the balance sheet date, which requires disclosure in the financial statements.



**BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDER**

**Results and dividends**

The net profit of the Company for the year ended March 31, 2007 amounted to USD.277,461 (Rs. 12,555,091/-).

**Review of the Business**

The Company was incorporated in United Arab Emirates on January 24, 2004 and is engaged in the trading of gems and jewellery.

Sales and gross margin reached to a satisfactory level in the third year of operation. Sales increased by 15.43% to USD. 3,856,884/- (Rs. 174,524,001/-). Gross margin increased to 8.88% compared to 6.22% in the previous year.

**Auditors**

The auditors, N. R. Doshi & Co., Chartered Accountants have expressed their willingness to continue in office.

**On behalf of the Board**

Sd/-

**Bimal Chand Godha**

**Director**

Date: June 5, 2007

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**Independent Auditor's Report to the Shareholders of SHANTIVIJAY IMPEX FZCO**

**P.O. Box 62380, Gold and Diamond Park, Dubai - United Arab Emirates**

We have audited the accompanying financial statements of **Shantivijay impex FZCO**, which comprise the balance sheet as at March 31, 2007, the income statement, statement of changes in equity and statement of cash flows for the period from April 1, 2006 to March 31, 2007 and a summary of significant accounting policies and other explanatory notes as set out on page - 4 to 14.

**Management's Responsibility for the Financial Statements**

Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibilities includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in

accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of March 31, 2007 and of its financial performance and its cash flows for the period from April 1, 2006 to March 31, 2007, in accordance with the International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report related to the financial statements is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the implementing Regulations No.1/2002 for gold and diamond park companies issued pursuant to Law no. 2 of 1986 & U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) during the period under audit, which might have a material effect on the financial position of the Company or on the results of its operations for the period from April 1, 2006 to March 31, 2007.

**N.R. Doshi & Co.**

**Chartered Accountants**

**Dubai, United Arab Emirates**

Date : June 5, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

	Note	01.04.2006-	01.04.2006-	01.04.2005-	01.04.2005-
		31.03.2007	31.03.2007	31.03.2006	31.03.2006
		US\$	Rupees	US\$	Rupees
<b>Current Assets</b>					
Inventories	3	1,802,526	78,193,578	1,328,849	59293242
Trade Receivables	4	1,074,085	46,593,807	1,287,759	57459807
Cash and Bank Balances	5	29,648	1,286,130	57,042	2545214
Deposits, Advances and Prepayments		17,007	737,764	14,276	636995
	(A)	<u>2,923,266</u>	<u>126,811,279</u>	<u>2,687,926</u>	<u>119,935,258</u>
<b>Current Liabilities</b>					
Trade Payables	6,8	1,592,751	69,093,558	2,266,731	101141557
Advance received from customers		1883	81,685	73,776	3291885
Accruals and Provisions		1,185	51,405	1,117	49841
	(B)	<u>1,595,819</u>	<u>69,226,648</u>	<u>2,341,624</u>	<u>104,483,283</u>
<b>Net Current Assets</b>	(A - B)	<u>1,327,447</u>	<u>57,584,631</u>	<u>346,302</u>	<u>15,451,975</u>
<b>Net Assets</b>		<u>1,331,001</u>	<u>57,738,804</u>	<u>350,535</u>	<u>15,640,852</u>
<b>Shareholders' Equity</b>					
Share Capital 1a		27,248	1,196,460	27,248	1196460
Accumulated profits		600,749	26,046,030	323,287	14444392
Share holder's loan		703,004	30,496,314	0	0
		<u>1,331,001</u>	<u>57,738,804</u>	<u>350,535</u>	<u>15640852</u>

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgement underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements on pages 3 to 14 are approved on June 5, 2007 and signed by

On behalf of the Board

Sd/-

**Bimal Chand Godha**  
Director

**INCOME STATEMENT****Year ended March 31, 2007**

	Note	01.04.2006-	01.04.2006-	01.04.2005-	01.04.2005-
		31.03.2007	31.03.2007	31.03.2006	31.03.2006
		US\$	Rupees	US\$	Rupees
<b>Sales</b>		3,856,884	174,524,001	3,341,174	147,913,773
<b>Cost of Sales</b>	7	<u>(3,514,576)</u>	<u>(159,034,564)</u>	<u>(3,133,442)</u>	<u>(138,717,477)</u>
<b>Gross Profit</b>		<u>342,308</u>	<u>15,489,437</u>	<u>207,732</u>	<u>9,196,296</u>
<b>Expenses</b>					
Salaries and Benefits		11,608	525,262	8,338	369,123
Rent		24,591	1,112,743	21,526	952,956
Depreciation		3,239	146,565	1,370	60,650
Other Administrative Expenses		28,794	1,302,948	32,240	1,427,265
<b>Sub- total</b>		<u>(68,232)</u>	<u>(3,087,517)</u>	<u>(63,474)</u>	<u>(2,809,994)</u>
<b>Profit from operations</b>		<u>274,076</u>	<u>12,401,920</u>	<u>144,258</u>	<u>6,386,302</u>
Other Income		3,385	153,171	3,434	152,023
<b>Net Profit taken to Accumulated profits</b>		<u>277,461</u>	<u>12,555,091</u>	<u>147,692</u>	<u>6,538,325</u>

These financial statements on pages - 3 to 14 are approved on June 5, 2007 and signed by

On behalf of the Board

Sd/-

**Bimal Chand Godha**  
Director

**STATEMENT OF CHANGES IN EQUITY****Year Ended March 31, 2007**

	Share Capital		Accumulated (losses)/profits		Shareholder's loan	
	US\$	Rupees	US\$	Rupees	US\$	Rupees
Balance as at beginning	27,248	1,186,650	175,595	7,710,332	0	0
Transfer from Income Statement	0	0	147,693	6,538,325	0	0
<b>Balance as at 31.3.2006</b>	<u>27,248</u>	<u>1,186,650</u>	<u>323,288</u>	<u>14,248,657</u>	<u>0</u>	<u>0</u>
Transfer from Income Statement	0	0	277,461	12,555,091	0	0
Loan introduced	0	0	0	-	703,004	30,496,314
<b>Balance as at 31.3.2007</b>	<u>27,248</u>	<u>1,186,650</u>	<u>600,749</u>	<u>26,803,748</u>	<u>703,004</u>	<u>30,496,314</u>

**PROPERTY, PLANT AND EQUIPMENT - SCHEDULE****Year Ended March 31, 2007**

Particulars:	Furnitures , Fixtures & Office Equipments	
	Total	Total
Rate of Depreciation		25%
<b>Cost</b>	US \$	RUPEES
As at 01.04.2006	6,523	289,922
Additions	2,560	111,862
<b>As at 31.03.2007</b>	<u>9,083</u>	<u>401,784</u>
<b>Depreciation</b>		
As at 01.04.2006	2,290	101,046
For the year	3,239	146,565
<b>As at 31.03.2007</b>	<u>5,529</u>	<u>247,611</u>
<b>Net Value</b>		
<b>As at 31.3.2007</b>	<u>3,554</u>	<u>154,173</u>

**CASH FLOW STATEMENT**

Year Ended March 31, 2007

	Note	01.04.2006- 31.03.2007 US\$	01.04.2006- 31.03.2007 Rupees	01.04.2005- 31.03.2006 US\$	01.04.2005- 31.03.2006 Rupees
<b>i. Cash Flow from Operating Activities</b>					
Net Profit		277,461	12,036,258	147,692	6,590,017
<b>Adjustments :</b>					
Depreciation		3,239	140,508	1,370	61,129
<b>Operating profit before changes in Operating Assets and Liabilities</b>					
		280,700	12,176,766	149,062	6,651,146
Increase in Inventories		(473,677)	(20,548,108)	(209,854)	(9,363,685)
(Increase) / Decrease in Trade Receivables		213,674	9,269,221	(444,883)	(19,850,635)
Decrease in Deposit, advances and prepayments		(2,731)	(118,471)	(11,796)	(526,338)
Increase / (Decrease) in Trade Payables		(673,980)	(29,237,252)	642,403	28664022
Decrease in Advance received from cutomers		(71,893)	(3,118,718)	(131,915)	(5,886,047)
(Decrease) / Increase in Accruals and Provisions		68	2,950	(1,595)	(71,169)
<b>Net Cash used in Operating Activities</b>		<b>(727,839)</b>	<b>(31,573,613)</b>	<b>(8,578)</b>	<b>(382,706)</b>
<b>ii. Cash Flow from Investing Activities</b>					
Purchase of property, plant and equipment		(2,560)	(111,053)	(1,689)	(75,363)
<b>Net Cash used in Investing Activities</b>		<b>(2,560)</b>	<b>(111,053)</b>	<b>(1,689)</b>	<b>(75,363)</b>
<b>iii. Cash Flow from Financing Activities</b>					
Increase in loan from share holder		703,004	30,496,314	0	0
<b>Net Cash flow used in Financing Activities</b>		<b>703,004</b>	<b>30,496,314</b>	<b>0</b>	<b>0</b>
<b>Decrease in Cash and Cash Equivalents</b>	( i + ii + iii )	<b>(27,394)</b>	<b>(1,188,352)</b>	<b>(10,266)</b>	<b>(458,070)</b>
Cash and Cash Equivalents as at 01.4.2006	(Note 2j, 5 )	57,042	24744282	67,308	3,003,284
Cash and Cash Equivalents as at 31.3.2007	(Note 2j, 5 )	29,648	1,286,130	57,042	2,545,214
<b>Supplemental Cash Flow Statement Information</b>					
<b>Non-Cash transactions</b>		<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**ACCOUNTING POLICIES AND EXPLANATORY NOTES****Year Ended : March 31, 2007****1. Legal Status, Business Activities and Management****a. Legal Status**

SHANTIVIJAY IMPEX FZCO is registered as a Free Zone Company with limited liability in compliance with the Implementing Regulations No. 1/ 2002 of Gold and Diamond Park issued pursuant to Law No. 2 of 1986 & The UAE Federal Law No. (8) of 1984 regarding Commercial Companies Act and its amendments

The Jebel Ali Free Zone Authority, Dubai, U.A.E. has issued Certificate of Formation No. 0715 dated January 24, 2004 and the Trade Licence No. 9632 dated January 24, 2004.

The registered office of the company is located at Unit # G50A, Gold and Diamond Park, Sheikh Zayed Road, Dubai, U.A.E.

The issued and fully paid up capital of the company is AED. 100,000/- divided into one ordinary shares of AED 100,000/-. The following is the shareholder of the company:

	Share Capital Contribution	No. of Shares
ShantiVijay Jewels International Limited, Mauritius	1	1

**b. Business Activities**

The company is engaged in the business of trading in gems and diamond jewellery.

**c. Management**

The company is managed by following board of directors:

1. Mr. Bimal Chand Godha
2. Mr. Pradeepkumar Godha
3. Mr. Anurag Godha

**2. Accounting Policies**

The following accounting policies have been consistently applied by the management in the preparation of the Financial Statements. The Financial Statements are prepared in accordance with and comply with the requirements of each applicable International Financial Reporting Standard (IFRS) and each applicable Interpretation of the International Financial Reporting Interpretations Committee (IFRIC). IFRS also includes International Accounting Standards (IAS) and Interpretation of Standing Interpretation Committee (SIC).

**3. a. Accounting Basis**

These Financial Statements, except for the cash flow information are prepared under the accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognised when they occur and not as cash or its equivalent is received or paid and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

**b. Measurement Basis**

These Financial Statements have been prepared under historical cost basis as revalued at fair value for financial assets & financial liabilities under income statement.

**c. Preparation Basis**

The Financial statement are prepared in U.S. Dollars which is considered to be the company's principal trading currency.

**d. Property, Plant and Equipment**

The cost of property, plant and equipment is their purchase cost together with any incidental expenses of acquisition.

Depreciation on property, plant and equipment has been computed on Straight Line Method at the annual rates estimated to write off the cost of the assets over its expected useful lives as under :

Furniture and Fixtures	4 years - ( 25 % )
Office Equipment	4 years - ( 25 % )

**e. Inventories**

Inventories have been valued at lower of cost and net realisable value. Cost is determined by using the first in first out (FIFO) method. Cost includes only purchase costs. Other expenses incurred in bringing the inventories to their present location and condition are not accounted in inventories. Net realisable value is the estimate of selling price in the ordinary course of business.

**f. Trade Receivables**

Trade Receivables are carried at anticipated realisable value. A provision is made for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written off during the period in which they are identified.

**g. Provisions**

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision is made for estimated liabilities for employees entitlement to leave salary, air passage to their home country and terminal benefits as a result of services rendered by an employee up to the balance sheet date. Provision made for employee terminal benefits are disclosed as non current liabilities. Other provisions are disclosed as current liabilities.

**h. Foreign Currencies**

- i. Transactions in foreign currencies are converted into U.S. Dollars at rates ruling when entered into.
- ii. Foreign currency balances are converted into U.S. Dollars at the rate of exchange ruling at the Balance Sheet date.
- iii. Resultant gain or loss is taken to Income Statement.

**i. Revenue Recognition**

Sales are recognised when the company has transferred to the buyer the significant risks and rewards of the ownership of goods.

**j. Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of Cash flow Statement comprises of cash on hand, current accounts, bank overdrafts repayable on demand and bank deposits free from lien with a maturity date of three months or less from the date of deposit.

**k. Impairment of Assets**

Assets that have indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events for changes in circumstances indicates that carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the assets carrying value exceeds its recoverable amount. Recoverable amount is higher of value in use and the realisable amount of the asset.

	2006-07		2005-06	
<b>3. Inventories</b>				
Diamond Jewellery	1,802,526	78,193,578	1,328,849	59,293,242
<b>4. Trade Receivables</b>				
Trade Debtors	1,074,085	46,593,807	1,287,759	57,459,807
<b>5. Cash and Bank Balances</b>				
Cash on hand	140	6,073	922	41,140
<b>Balances with Bank in :</b>				
- Current Account	29,508	1,280,057	56,120	2,504,074
	29,648	1,286,130	57,042	2,545,214
<b>6. Trade Payables</b>				
Trade Creditors	1,592,751	69,093,558	2,266,731	101,141,557
<b>7. Cost of Sales</b>				
Inventory as at 01.04.2006	1,328,849	59,293,242	1,118,995	49,135,070
Purchases and Direct Expenses	3,988,253	177,934,900	3,343,296	148,875,649
Inventory as at 31.3.2007	(1,802,526)	(78,193,578)	(1,328,849)	(59,293,242)
	3,514,576	159,034,564	3,133,442	138,717,477

**8. Related Party Transactions**

The company in the normal course of business enters into transactions with the enterprises that fall within the definition of related party contained in International Accounting Standard No. 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

The related parties of the company are as under:

- Shantivijay Jewels Ltd. - Mumbai, India- Holding Company**
- Shantivijay Jewels International Limited, Port louis, Mauritius - Parent company**

The summary of transactions entered into during the period and balances with related parties as at balance sheet date are as under :

- Shantivijay Jewels Ltd.- Mumbai, India.**

Purchases	1,112,490	50,633,734	2,013,096	88,767,476
Sales	98,696	4,627,313	277,384	12,357,846
Trade Payables	251,465	10,908,552	1,149,506	51,290,936
- Shantivijay Jewels International Limited, Port louis, Mauritius.**

a) Trade Payables	0	0	725,706	32,655,995
b) Shareholders loan	703,004	30,496,314	0	0

**9. Financial Instruments**

In accordance with the International Accounting Standards 32 regarding financial instruments the following disclosures are made.

Financial instruments means financial assets, financial liabilities and equity instruments.

Financial assets include cash and bank balances , trade receivables, advances and deposits. Financial liabilities include trade payables, provisions, accruals and provisions and advance received from customers.

**A. Fair Values**

The fair values of the company's financial assets and liabilities approximate to their carrying value.

**B. Credit Risk, Interest Rate Risk and Exchange Rate Risk Exposure**
**i. Credit Risk**

Financial assets, which potentially expose the company to credit risk comprises principally of bank balances and Trade Receivables.

- The company's bank current account are placed with high credit quality financial institutions.

- As at March 31, 2007, top five trade receivable represents 88.8% of the total trade receivable outstanding. (As at 31.3.2006 - 91.66 %)

Country-wise break-up of trade receivables in % :

Country	As at 31.03.2007	As at 31.03.2006
Spain	7.57	31.45
U.A.E	20.67	13.66
Saudi	18.81	0
Japan	27.67	15.41
UK	18.24	28.14
Other	7.04	11.34
	<b>100.00</b>	<b>100.00</b>

**ii. Interest Rate Risk**

Since there is no borrowing, company is not exposed to any interest rate risk.

**iii. Exchange Rate Risks**

There is no exchange rate risk as substantially all the transactions are denominated in U.A.E Dirhams or US Dollars to which the U.A.E Dirham is fixed.

**10. Significant Events occurring after the Balance Sheet date**

There were no significant events occurring after the balance sheet date which require disclosure in the financial statements.

**11. Number of Personnel**

As at March 31, 2007	1	1
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**12. Previous year's Figures**

Previous year's figures have been re-grouped or re-classified wherever necessary so as to conform to the current year's presentation.

**13. Critical Accounting Estimates and Judgement**

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During the current year, there are no estimates or judgements that are critical.

- All the assets as shown in the financial statements are existing and realisable at the amounts shown against them and there are no liabilities against the company, contingent or otherwise, not included in the above financial statements.

**Financial Information**
**• Significant Values and Ratios :**

Ratios	1.4.2006 to 31.3.2007	1.4.2005 to 31.3.2006
Gross Profit (%)	8.88	6.22
Net Profit (%)	7.19	4.42
Current Ratio	1.83	1.15
Debtors collection (Days)	102	141
Inventories holding period (Days)	187	155
Return on Average Investment (%)	33	53

**• Name of Bankers**

Standard Chartered Bank  
Dubai, U.A.E.

**• Accounting Software**

The company is using Tally 5.4 accounting software. The financial accounts are integrated with inventory accounts.

**DIRECTOR'S REPORT TO THE SHAREHOLDER**

The director submits its report and audited financial statements for the period ended March 31, 2007.

**Results and Dividends**

There is no operations in the company during the period.

**Review of the Business**

Shantivijay Impex DMCC is under incorporation.

**Auditors**

A resolution to re-appoint N.R. Doshi & Co., Chartered Accountants as Auditors and fix their remuneration will be put to the shareholder at the Annual General Meeting.

**On behalf of the Board**

Sd/-

Director

Date: June 15, 2007

**Independent Auditor's Report to the Shareholder of****SHANTIVIJAY IMPEX DMCC**

P.O. Box 62380, Dubai Multi & Commodities Centre, Dubai, United Arab Emirates

We have audited the accompanying financial statements of SHANTIVIJAY IMPEX DMCC, which comprise the balance sheet as at March 31, 2007, the income statement, statement of changes in equity and statement of cash flows for the period from June 15, 2005 to March 31, 2007 and a summary of significant accounting policies and other explanatory notes as set out on page - 4 to 10. Shantivijay Impex DMCC is under incorporation.

**Management's Responsibility for the Financial Statements**

Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibilities includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the international Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of March 31, 2007 and of its financial performance and its cash flows for the period from June 15, 2005 to March 31, 2007, in accordance with the International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Directors' Report related to the financial statements is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the DMCC company regulation, 2003 (Regulation No. 1/2003) during the period under audit, which might have a material effect on the financial position of the Company or on the results of its operations for the period ended March 31, 2007.

**N.R. Doshi & Co.**  
**Chartered Accountants**  
**Dubai, United Arab Emirates**

Date: June 15, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

	Notes	US \$	RUPEES
Capital work in progress	2	89,889	3,899,385
<b>Current Assets</b>		0	0
<b>Current Liabilities</b>		0	0
<b>Net Current Assets</b>	(A - B)	0	0
<b>Net Assets</b>		<u>89,889</u>	<u>3,899,385</u>
<b>Financed by</b>			
Share Capital	1a	0	0
Shareholder's Loan		89,889	3,899,385
		<u>89,889</u>	<u>3,899,385</u>

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgment underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements on pages 1 to 8 are approved on June 15, 2007 and signed by

Sd/-  
Director

Sd/-  
Director

**INCOME STATEMENT****Period ended March 31, 2007**

	US \$	RUPEES
<b>Sales</b>	0	0
Cost of Sales	0	0
<b>Gross Loss</b>	<u>0</u>	<u>0</u>
<b>Expenses</b>	0	0
Salaries and Benefits		
Rent		
<b>Total Expenses</b>	<u>0</u>	<u>0</u>
<b>Net Loss</b>	<u>0</u>	<u>0</u>

These financial statements on pages - 1 to 8 are approved on June 15, 2007 and signed by

Sd/-  
Director

Sd/-  
Director

**STATEMENT OF CHANGES IN EQUITY**

Period ended : March 31, 2007

	Share Capital	Shareholder's Loan Account		Accumulated Loss	
		US \$	RUPEES	US \$	RUPEES
Balance as at Beginning of the Period	0	0	0	0	0
Funds introduced ( Net )	0	89,889	3,899,385	0	0
Transfer from Income Statement	0	0	0	0	0
<b>Balance as at 31.03.2007</b>	<b>0</b>	<b>89,889</b>	<b>3,899,385</b>	<b>0</b>	<b>0</b>

**CASH FLOW STATEMENT**

Period ended : March 31, 2007

	US \$	RUPEES
<b>I. Cash Flow from Operating Activities</b>		
Net Loss	0	0
<b>Adjustments :</b>		
Depreciation	0	0
Interest Income		
<b>Operating Cash loss before changes in Operating Assets and Liabilities</b>	<b>0</b>	<b>0</b>
Increase in Deposits,		
Prepayments and Advances		
<b>Net Cash used in Operating Activities</b>	<b>0</b>	<b>0</b>
<b>II. Cash Flow from Investing Activities</b>		
Interest Income		
Increase in Capital work in progress	(89,889)	3,899,385
<b>Net Cash used in Investing Activities</b>	<b>(89,889)</b>	<b>3,899,385</b>
<b>III. Cash Flow from Financing Activities</b>		
Share Capital introduced		
Funds introduced (net)	0	0
Loan introduced by director (net)		
Loan introduced (net)	(89,889)	(3,899,385)
<b>Net Cash flow from Financing Activities</b>	<b>(89,889)</b>	<b>(3,899,385)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>
Cash and Cash Equivalents as at 15.06.2005	( Note 2g, 3) 0	0
Cash and Cash Equivalents as at 31.03.2007	( Note 2g, 3) 0	0
<b>Supplemental Cash Flow Statement Information</b>		
<b>Non-Cash transactions</b>	<b>Nil</b>	<b>Nil</b>

**Accounting Policies and Explanatory Notes**

Period ended : March 31, 2007

**1. a. Legal Status**

The company is under incorporation.

**2. Accounting Policies**

The following accounting policies have been consistently applied by the management in the preparation of the financial statements. The financial statements are prepared in accordance with and comply with the requirements of each applicable International Financial Reporting Standard (IFRS) and each applicable Interpretation of the International Financial Reporting Interpretation Committee (IFRIC). IFRS also includes all International Accounting Standards (IAS) and Interpretation of Standing Interpretations Committee (SIC).

**a. Accounting Basis**

These Financial Statements, except for the cash flow information, are prepared under the **accrual** basis of accounting. Under the **accrual basis of accounting**, transactions and events are recognised when they occurred (and not as cash or

its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

**b. Measurement Basis**

These Financial Statements have been prepared on historical cost basis as modified by revaluation of financial assets and financial liabilities at fair values.

**c. Foreign Currencies**

i. Transactions in foreign currencies are converted into U.S. Dollars at rates ruling when entered into.

ii. Monetary assets and liabilities expressed in foreign currency are converted into U.S.Dollars at the rate of exchange ruling at the Balance Sheet date.

iii. Resultant gain or loss is taken to Income Statement.

**d. Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of cash flow statement comprises of cash on hand, current accounts, bank overdrafts repayable on demand, bank current and call accounts and fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

**e. Impairment of Assets**

In accordance with International Accounting Standard 36, Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment wherever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the assets carrying value exceeds its recoverable amount. Recoverable amount is higher of the value in use and the realisable amount of the asset.

	US\$	Rupees
<b>3. Capital Work in Progress</b>		
Balance as at 15.06.2005	0	0
Addition during the period	89,889	3,899,385
<b>Balance as at 31.03.2007</b>	<b>89,889</b>	<b>3,899,385</b>

**Note :** Above amount represents payment towards purchase of office premises with Dubai Multi Commodities Centre. ( Also refer note 5)

**4. Related Party Transactions**

The company in the normal course of business enters into transactions with other business enterprises that fall within the definition of related party contained in the International Accounting Standards 24.

The related parties of the company is as under:

**i. Shantivijay jewels international ltd. , Mauritius.**

The director of the Company, are also director in the above company.

The summary of transactions entered into during the period and balances with related parties as at March 31, 2007 are as under:

<b>i. Shantivijay jewels international ltd. , Mauritius.</b>		
Loan 89,889		3,899,385

**5. Capital Commitments**

Commitments have been made with regards to purchase of office to the tune of USD.140,518 /-(Rs. 6,095,671/-) out of which an amount of USD. 89,889/-(Rs.3,899,385/-) has been paid and balance of USD. 50,628/- (Rs.2,196,243/-) is due till the date of possession. (see note 3)

**6. Significant Events occurring after the Balance Sheet date**

There were no significant events occurring after the balance sheet date which require disclosure in the financial statements.

**7. Previous year figures**

There are no previous year's figures since this is the first period of the operation of the Company.

**8. Critical Accounting Estimates and Judgement**

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During the current period, there are no estimates or judgements that are critical.

**9. In th opinion of the management, all the assets as shown in the financial statements are existing and realisable at the amount shown against them and there are no liabilities against the company, contingent or otherwise, not included in the above financial statements.**

# SHANTIVIJAY JEWELS LIMITED

Registered Office: G 37, Gem & Jewellery Complex, Bldg. No. III, SEEPZ, Andheri (E), Mumbai-400 096.

## THIRTY FOURTH ANNUAL GENERAL MEETING 28TH AUGUST, 2007

### ADMISSION SLIP

Folio No./Client ID

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the THIRTY FOURTH ANNUAL GENERAL MEETING of the Company being held at G-37, Gems & Jewellery Complex, Bldg. No. III, SEEPZ, Andheri (E), Mumbai-400 096 on Tuesday, 28th August, 2007 at 10.00 A.M.

\_\_\_\_\_  
Name of the Member in BLOCK Letters

\_\_\_\_\_  
Member's Signature

\_\_\_\_\_  
Name of the Proxy in BLOCK Letters

\_\_\_\_\_  
Proxy's Signature

Note: Please fill this attendance slip and hand it over at the ENTRANCE OF THE HALL.

\_\_\_\_\_  
(Tear Here) \_\_\_\_\_

# SHANTIVIJAY JEWELS LIMITED

Registered Office: G 37, Gem & Jewellery Complex, Bldg. No. III, SEEPZ, Andheri (E), Mumbai-400 096.

## THIRTY FOURTH ANNUAL GENERAL MEETING 28TH AUGUST, 2007

### FORM OF PROXY

Folio No./Client ID

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member/members of SHANTIVIJAY JEWELS LIMITED, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
of failing him/her \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
as my/our proxy to vote for me/us on my/our behalf at the THIRTY FOURTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday, 28th August, 2007 and at any adjournment thereof.

Place

Date

Affix  
Re. 1/-  
Revenue  
Stamp

Signed

Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

Tear here



**BOOK-POST**

*If undelivered please return to:*  
**SHANTIVIJAY JEWELS LIMITED**  
L-1, Hotel Hilton Towers,  
Nariman Point, Mumbai-400 021.