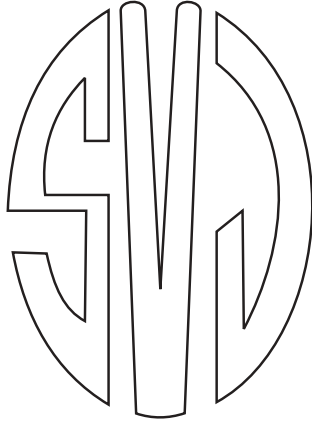




Shantivijay Jewels Limited

ANNUAL REPORT 2007-2008



SHANTIVIJAY JEWELS LIMITED

BOARD OF DIRECTORS

BIMALCHAND GODHA

(Chairman & Managing Director) (upto 30.11.2007)

PRADEEP GODHA

(Chairman & Managing Director) (w.e.f. 29.01.2008)

ANURAG GODHA

(Vice Chairman & Managing Director) (w.e.f. 29.01.2008)

JEFFREY K. STERN

INDEPENDENT DIRECTORS

SHAMBHUKUMAR S. KASLIWAL

JAYANT B. SHAH

APURVA R. SHAH

TUSHAR A. MAVANI

REGISTERED OFFICE / WORKS

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

CORPORATE 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 35th Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at the Registered Office at G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096 on **Saturday, 30th August, 2008 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, 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors, thereon.
2. To appoint a Director in place of Shri. Jayant B. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Apurva R. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as “the Act”) and subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Pradeep Godha, Chairman as the Managing Director of the Company for a period of three years with effect from 1st September, 2008 on the terms and conditions including remuneration as set out in the draft agreement proposed to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement as the Board of Directors in its discretion deem fit and as acceptable to Shri. Pradeep Godha.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as

“the Act”) and subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Anurag Godha, Vice Chairman as the Managing Director of the Company for a period of three years with effect from 1st September, 2008 on the terms and conditions including remuneration as set out in the draft agreement proposed to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or agreement as the Board of Directors in its discretion deem fit and as acceptable to Shri. Anurag Godha.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this 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 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 Bombay Stock Exchange Ltd. 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, regulations and guidelines 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 31st July, 2008 i.e. the 30th 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."

BY ORDER OF THE BOARD

Sd/-

PRADEEP GODHA
CHAIRMAN &
MANAGING DIRECTOR

Registered Office:

G-37, Gem & Jewellery Complex,
Building No.III, SEEPZ,Andheri(East),
Mumbai 400 096.
Dated : 24th July, 2008

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 **Tuesday, 26th August, 2008 to Saturday, 30th August, 2008** (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. Jayant B. Shah	Shri. Apurva R. Shah
Age	60	38 years
Date of Appointment	26.07.2002	26.07.2002
Qualification	B. Com.	Chartered Accountant, Cost and Works Accountant and a graduate from the London School of Economics and Political Sciences with a distinction in International Accounting and Finance. He was a rank holder in the Chartered Accountancy Examinations with an award for the highest distinction in Financial Accounting and in Direct Tax Laws.
Expertise in specific functional areas	Reputed & experienced businessman & good exposure to import/export business	He is a partner in well known firm of Chartered Accountants - Rajendra & Co. He has over the years developed expertise in areas such as Direct Taxation, Foreign Exchange Management Law, Financial Management and Business Restructuring and in Accounting.
Chairmanship/ Directorship held in other public companies	Nil	Director in : Acrysil Ltd. Asian Star Company Ltd . Fine Line Circuits Ltd. Rightangles.com India Ltd. Steelcast Ltd. G Jewelcraft Limited
Membership held in Committees of such Boards of other public companies	Nil	Member in : Audit Committeee and Shareholders Grievances Committee of Asian Star Company Ltd Audit Committee and Remuneration Committee of Acrysil Ltd. Fine Line Circuits Ltd. Steelcast Ltd.

EXPLANATORY STATEMENT

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

Item Nos. 5 and 6

Shri. Pradeep Godha and Shri. Anurag Godha have been the Wholetime Directors of the Company and their last reappointment as such was made with effect from 1st September, 2004 for a period of five years. The Board of Directors had re-designated Shri Pradeep Godha as the Chairman and Managing Director and Shri Anurag Godha as the Vice Chairman and Managing Director of the Company from 29th January, 2008 subsequent to sad demise of Shri. Bimalchandji Godha, Chairman and Managing Director of the Company on 30.11.2007.

Based on the recommendation of the Remuneration Committee duly approved by a resolution passed at its meeting, the Board of Directors (Board) at its meeting held on 26th June, 2008 has reappointed Shri. Pradeep Godha and Shri. Anurag Godha as the Managing Directors of the Company respectively upon the terms and conditions contained in the draft agreements proposed to be entered into by the Company with each of them, subject to the approval of the Company. The said agreements, interalia, contain the following material terms and conditions :

Particulars	Shri. Pradeep Godha	Shri. Anurag Godha
Designation	Managing Director	Managing Director
Period	01.09.2008 to 31.08.2011	01.09.2008 to 31.08.2011
Salary per month	Rs.1,75,000/-	Rs.1,75,000/-

- **Perquisites :** Free Furnished Housing accommodation or house rent allowance in lieu thereof together with furnishings, with gas, electricity, water, and other amenities; Reimbursement of medical expenses incurred in India or abroad including hospitalization and surgical charges and travel expenses relating thereto and/or medical insurance, for self and family; Reimbursement of expenses on servants, mobile phone, telephone at residence, leave travel including foreign travel for self and family, fees of clubs, personal accident and life insurance premiums; Bonus, special allowances and such other perquisites as may be determined by the Board of Directors from time to time in each of the cases restricted to and subject to the condition that overall remuneration payable shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in that regard.
- The following perquisites shall not be included in the computation of the ceiling on remuneration specified herein :
 - (i) Contribution to Provident Fund, Super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

- (ii) Gratuity which shall not exceed half a month's salary for each completed year of services, and
- (iii) Encashment of leave at the end of the tenure.

- Provision of car with driver for personal use as well as business of the Company, mobile phone and telephone at residence.
- Annual privilege leave to MDs: On full salary for a period of thirty days and shall be entitled to accumulate such leave.

Notice period : 90 days in writing provided that the same may be waived mutually.

The Board shall have power to revise the Salary/Perquisites, on completion of each 12 months period, so that increase in such remuneration for any such period shall not exceed 25 % of the amount of such remuneration prevailing/provided in the period immediately preceding the period for which such remuneration is fixed.

No sitting fee shall be payable for attending the meetings of the Board of Directors or Committee thereof to any of them.

The above Salary and perquisites/allowances shall be payable notwithstanding the inadequacy or no profits in any financial year during the tenure of their respective offices as such.

The terms and conditions of the said appointments and/or agreements may be altered and varied from time to time by the Board as it may, in its discretion, deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendment made hereafter in that regard.

The other terms and conditions of the agreements are such as are customarily contained in agreements of similar nature.

The said reappointments/agreements including the remuneration as aforesaid shall be subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modifications, if any, made/approved as aforesaid.

The above may also be treated as an abstract of the respective agreements to be entered into between the Company and the said Shri. Pradeep Godha and Shri. Anurag Godha pursuant to Section 302 of the Companies Act, 1956.

Disclosures in terms of para (B) of Section II of Part II of Schedule XIII to the Companies Act, 1956 are as under :

- (i) **General Information :** The Company is engaged in manufacture and export of jewellery from SEEPZ in Mumbai. The Company has been in operation since 1973 and commenced commercial production at SEEPZ unit in June, 1994. The Company's financial performance has been by and large at par with the industry indicators. The Company has not made any foreign collaboration. The Company has set up 100% subsidiary, namely, Shantivijay Jewels International Ltd. in Mauritius which in turn has also set up 100% subsidiary, namely, Shantivijay Impex FZCO and Shantivijay Impex DMCC (under incorporation) in UAE. The Company has foreign investment in its shares up to 2% by Non-resident and NRIs. The Company has been mainly exporting its production from Seepz in Mumbai.

(II) **Information about the Appointees** : Both the appointees are well experienced and with good standing in the business of jewellery manufacturing and exports. There are no specific recognition or awards to the appointees. Both the appointees are ideally suitable for the Job profile required by the Company for the posts to which they are proposed to be reappointed as all of them have vast and industry specific experience and expertise. The remuneration proposed to be paid to both is set out herein above. Having regard to the size of the Company and its operations and nature of responsibility for each of the said posts and having regard to the integrity, expertise and experience of both the appointees, the remuneration proposed to be paid to them is comparable with the remuneration profile prevalent in the Industry. Both the appointees are the promoters and key management personnel of the Company as aforesaid and are related to each other. Apart from this, there are no other pecuniary relationship directly or indirectly with the Company or its managerial personnel. Their **last drawn remunerations from the Company** as per the limits approved by the Company and duly revised from time to time within the powers granted by the Company have been as under :

Particulars	Shri. Pradeep Godha	Shri. Anurag Godha
Designation	Managing Director	Managing Director
Salary per month	Rs.1,10,000/-	Rs.1,10,000/-

Perquisites : same as aforesaid. Annual privilege leave: On full salary for a period of thirty days with right to accumulate such leave. No sitting fee for attending the meetings of the Board of Directors or Committee thereof.

(III) **Other Information/Disclosures** : The Company has improved its performance during last few years in spite of recessionary conditions prevalent in the industry worldwide. Constant efforts are made by the said key management personnel to boost exports and expand market base for the Company. The details of remuneration package with all elements thereof are specified herein above. There are no severance fees payable to the appointees There are no stock options proposed to be given by the Company to the appointees.

The draft agreements proposed to be entered into between the Company and Shri. Pradeep Godha and Shri. Anurag Godha are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.

Your Directors recommend the passing of the said resolutions by way of special resolution in view of the requirements of Schedule XIII to the Companies Act, 1956.

Shri. Pradeep Godha and Shri. Anurag Godha, being related, are interested in the resolutions pertaining to their reappointments as the Managing Directors of the Company. None of the other Directors is, in any way, concerned or interested in the said resolutions.

Item No. 7

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. 8 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.

BY ORDER OF THE BOARD

Sd/-

PRADEEP GODHA
CHAIRMAN &
MANAGING DIRECTOR

Registered Office:

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

Dated 24th July, 2008

SHANTIVIJAY JEWELS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF SHANTIVIJAY JEWELS LIMITED

Your Directors present their 35th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2008

TRIBUTE TO THE FOUNDER – SHRI BIMALCHANDJI GODHA

With deep sense of mourning, your Directors record sad demise of Shri. Bimalchandji Godha, Founder Chairman and Managing Director of the Company on 30th November, 2007. Your Directors pay their homage to the departed soul and pray God to bequeath eternal peace to the departed soul.

We further record our sincere appreciation of his invaluable and Founder's contribution to the growth and nurturing of the Company to its present status, his discipline, value and ethics based principles in managing the business of the Company, his approach to maintain transparency and follow good corporate governance practices in managing the Company and above all, his contribution as a Friend, Philosopher and Guide to all of us which shall always be memorable to all of us and will always be a divine source of inspiration for all time to come.

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	Stand alone for the Company		Consolidated	
	2007-08	2006-07	2007-08	2006-07
Sales & Operating Income	5981.25	5577.40	7230.44	6770.03
Other Income	53.33	48.60	57.09	50.30
Total Income	6034.58	5626.00	7287.53	6820.33
Less : Operating costs	5782.14	5395.09	6908.90	6497.55
Depreciation	37.35	40.21	38.81	41.68
Operating Profit	215.09	190.70	339.82	281.10
Less : Interest	51.93	62.40	51.93	62.40
Extra-ordinary Items	—	3.66	—	3.66
Profit Before Tax	163.16	124.64	287.89	215.04
Less Provision for Taxation				
– Current	60.35	15.51	60.35	15.51
– Fringe Benefit Tax	1.95	1.86	1.95	1.86
– Deferred	(1.83)	1.95	(1.83)	1.95
Profit After Tax	102.69	105.32	227.42	195.72
Add : Surplus brought forward	218.80	191.72	614.75	497.27
Profit available for appropriation	321.49	297.04	842.17	692.99
Appropriations :				
Transferred to General Reserve	—	8.00	—	8.00
Proposed Dividend	—	60.04	—	60.04
Tax on Dividend	—	10.20	—	10.20
Balance carried to Balance Sheet	321.49	218.80	842.17	614.75
Earning Per Share	3.42	3.51	7.58	6.52

DIVIDEND

With a view to conserve resources for expansion, your Directors have not recommended any dividend for the year under review.

OPERATIONS

During the year under review, Sales & Operating Income have increased to Rs.5981.25 lakhs from Rs. 5577.40 lakhs in the previous year, registering an increase of

7.24%. Consolidated Sales & operating Income have registered an increase of 6.80%. Operating Profits have been Rs.215.09 lakhs as against Rs. 190.70 lakhs in the previous year. Net Profit has been Rs.102.69 lakhs as against Rs.105.32 lakhs in the previous year. The Company has sustained its performance in spite adverse market conditions.

The Company is negotiating to acquire assets of a jewellery manufacturing unit in Germany. This acquisition may be made by 100% owned step-down subsidiary which may be formed through Shantivijay International Ltd., Mauritius, a wholly owned subsidiary of the Company. This acquisition would afford better access to the Company Products in European markets and, in turn, drive volume growth.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of Shantivijay Jewels International Limited, Mauritius, 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 31st March, 2008 are annexed.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Jayant B. Shah and Shri. Apurva R. Shah retire by rotation and, being eligible, offer themselves for reappointment.

Shri. Pradeep Godha, Chairman and Shri. Anurag Godha, Vice Chairman are reappointed Managing Directors of the Company on revised terms with effect from 1st September, 2008 subject to requisite approval of the members.

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, 2008 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

Sd/-

PRADEEP GODHA
CHAIRMAN &
MANAGING DIRECTOR

Place : Mumbai

Dated: 24th July, 2008

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) carried by the Company.
 - Manufacture of jewellery as per international standard.
 - Process Software development for avoiding human error.
 - Conceptual designs.
 - Improvement in process of gold/platinum refining.
 2. Benefits derived as a result of the above R&D.
 - Precision of manufacturing.
 - Improved quality of production.
 - Minimization of loss.
 - Achieved consistency in production quality.
 - Production with remarkable decrease in processing loss & better surface finish.
 3. Future plan of action
 - Import of equipments, instruments etc. for further improvement in production as well as quality control.
 4. Expenditure on R & D
 - Nil
- Technology Absorption, Adaptation and Innovation
1. Efforts, in brief, made towards technology absorption, adoption and innovation
 - 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.

2. Benefits derived as a result of the above e.g. product improvement, cost reduction product development, import substitution etc.
 - As a result of above, the following benefits are achieved :
 - Cost Reduction.
 - Achievement in precision & quality.
 - Use of indigenous equipment as import substitute.
3. Imported Technology
 - The Company has not imported any technology.

C. Foreign Exchange Earnings and Outgo

(Rs. in Lakhs)

	<u>2007-08</u>	<u>2006-07</u>
Foreign Exchange earned	<u>5437.83</u>	<u>5508.59</u>
Foreign Exchange used :		
CIF value of Imports :		
- Raw materials	172.02	152.53
- Stores & consumable including spares	11.13	16.00
- Finished Goods	267.99	99.53
- Fixed Assets	20.99	-
Expenditure in foreign currency :		
- Travelling expenses	8.58	9.81
- Exhibition expenses & advance	9.63	7.34
- Bank Charges	0.59	0.59
- Membership & Subscription	0.04	0.04
- Staff Training expenses	-	-
- Sales Commission	14.76	24.70
- Dividend (proposed)	-	1.19
	<u>505.73</u>	<u>311.73</u>

FOR AND ON BEHALF OF THE BOARD

Sd/-

PRADEEP GODHA
CHAIRMAN &
MANAGING DIRECTOR

Place : Mumbai
Dated: 24th July, 2008

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 details of composition of the Board of Directors, which is in line with the stipulated requirements, and other relevant details are given below.

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	4	No
Shri. Shambhukumar Kasliwal	Independent	4	2	Nil	4	Yes
Shri Pradeep B. Godha	Chairman & Managing Director**	Nil	Nil	1	4	Yes
Shri Anurag B. Godha	Vice- Chairman & Managing Director**	Nil	Nil	1	4	Yes
Shri Apurva R. Shah	Independent	6	1***	6	5	No
Shri. Jayant B. Shah	Independent	1	Nil	2	2	No
Shri. Tushar Mavani	Independent	1	1	1	4	No
Mr. Jeffrey K. Stern	Non-Executive	Nil	Nil	Nil	Nil	No

Except Managing Director, the other Directors retire by rotation.

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

expired on 30.11.2007 ** w.e.f. 29.01.2008. Prior to this as Wholetime Directors

*** Alternate Chairman.

Board meetings : During the year 2007-08, five meetings were held on 30.04.2007, 29.06.2007, 27.07.2007, 26.10.2007 and 29.01.2008. The last Annual General Meeting (AGM) was held on 28.08.2007.

(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 2007-08, four Audit Committee meetings were held on 29.06.2007, 27.07.2007, 26.10.2007 and 29.01.2008.

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. B. C. Godha*	Executive	Industrialist	3
Shri. Apurva Shah	Independent	Chartered Accountant	4
Shri. J. B. Shah	Independent	Business	1

* expired on 30.11.2007

(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 2007-08, two Committee meetings were held on 30.04.2007 and 26.10.2007. 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. Pradeep Godha	Executive	2
Shri. Anurag Godha	Executive	2

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

Number of pending share transfers as on 31.03.2008 was NIL. No request for dematerialisation was pending for approval as on 31.03.2008.

Name & Designation of Compliance Officer :

Shri Bimalchand Godha, Chairman and Managing Director till 30.11.2007.

Shri. Pradeep Godha, Chairman and Managing Director w.e.f. 29.01.2008.

(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 31.03.2008 are as under:

(Figures in Rs.)

Name of Director(s)	Sitting Fees	Salary	Perquisites/ Allowances	Total
Shri. Bimalchand Godha	Nil	8,80,000	1,00,475	9,80,475
Shri.Shambhukumar Kasliwal	35,000	Nil	Nil	35,000
Shri Pradeep Godha	Nil	12,60,000	67,473	13,27,473
Shri Anurag Godha	Nil	12,60,000	224157	14,84,157
Shri Apurva R. Shah	45,000	Nil	Nil	45,000
Shri. Jayant B. Shah	10,000	Nil	Nil	10,000
Shri. Tushar Mavani	20,000	Nil	Nil	20,000
Mr. Jeffrey K. Stern	Nil	Nil	Nil	Nil

All executive Directors were appointed under contracts each for a period of five year with effect from 01.10.2004 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
2005	Monday, 22.08.2005 at 10.00 a.m.	G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096	- Approval for payment of sitting fees to non-executive Directors - Approval for delisting of shares from the Stock Exchange, Mumbai
2006	Saturday, 23.09.2006 at 10.00 a.m.	-Do-	- Approval for increase of authorised share capital and consequent amendment of Memorandum & Articles of Association - Approval for issue of further shares/securities u/s 81(1A)
2007	Tuesday, 28.08.2007 at 10.00 a.m.	-Do-	- Approval for issue of further shares/securities u/s 81(1A) - Approval to hold office of profit u/s 314(1)

During the last year, the Company has not conducted any Postal Ballot.

(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.sebiedifار.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.sebiedifار.nic.in in addition to the filing of the same with the stock exchange.

(9) General Shareholders Information

1. 35th Annual General Meeting – Day, Date, Time and Venue

Day	Date	Time	Venue
Saturday	30.08.2008	10.00 a.m.	G-37, Gems & Jewellery Complex, Building No. 3, SEEPZ, Andheri (East), Mumbai – 400 096

2. Financial Calendar

Financial Year	1st April to 31st March
Adoption of Quarterly Results	3 rd or 4 th week of the month following each calendar quarter
Dates of Book Closure (Both days inclusive)	26.08.2008 to 30.08.2008 (both days inclusive)

3. Listing & Liquidity on Stock Exchanges: Bombay Stock Exchange Limited
Stock Code : 530989

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 31st March, 2008, 16,40,379 Equity Shares representing 54.64 % 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. Pradeep Godha,
Chairman & Managing Director
(w.e.f. 29.01.2008)
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@relianceemail.net

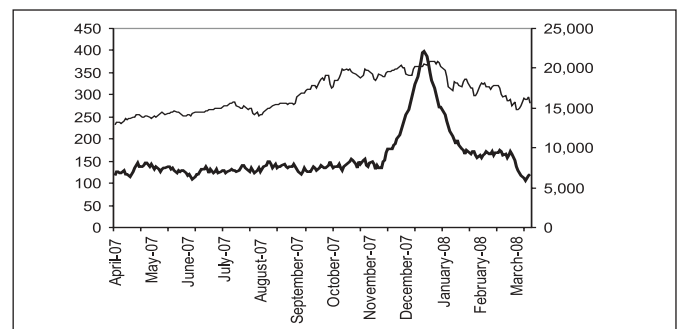
6. Share Transfer System:

To expedite the transfer process in the physical segment, authority has been delegated to the Share Transfer Committee, which comprises of Shri. Pradeep Godha and Shri. Anurag Godha. Committee meets regularly 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.

7. Market Price Data:

Month	Bombay Stock Exchange		
	High(Rs.)	Low(Rs.)	Volume
April 2007	155.00	103.00	5175
May 2007	150.00	124.65	1781
June 2007	140.80	109.75	5709
July 2007	138.00	119.00	4739
August 2007	156.25	120.05	8597
September 2007	149.00	120.00	4613
October 2007	149.85	123.55	16037
November 2007	168.20	130.05	17063
December 2007	375.70	174.20	22371
January 2008	419.50	177.75	26688
February 2008	180.50	151.15	8793
March 2008	175.70	100.15	9411



SHANTIVIJAY JEWELS LIMITED

8. Shareholding Pattern as on 31.03.2008

Category	No. of Shares	%
Promoters – Indian	2794846	93.10
Non-promoters :		
Bodies Corporate	8784	0.29
NRIs/OCBs	819	0.02
Public	137766	4.59
Foreign National	59600	1.99
Shares in transit	185	0.01
Total	3002000	100.00

Distribution of Shareholding as on 31.03.2008

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
1-500	568	89.03	57431	1.91
501-1000	23	3.61	17293	0.58
1001-2000	17	2.66	24621	0.82
2001-3000	4	0.63	10076	0.33
3001-4000	5	0.78	17396	0.58
4001-5000	2	0.31	8941	0.30
5001-10000	2	0.31	15347	0.51
10001-99999999	17	2.67	2850895	94.97
TOTAL	638	100.00	3002000	100.00

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 equity shares.

11. CEO/CFO Certification

As required under Clause 41 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 is comprised of Shri. Shambhukumar Kasliwal, Chairman of the Committee, Shri. Tushar Mavani, Shri. Apurva Shah and Shri. Jayant Shah, all of them are independent Directors. No Remuneration Committee meeting was held during the financial year ended 31.03.2008. Terms of Reference of this Committee include mandate to review and recommend/approve remuneration payable to the Managerial Personnel.

CEO's Certification

All the Directors and the Senior Management Personnel have affirmed compliance of the Code of Conduct laid down by the Board of Directors in terms of Clause 49 of the Listing Agreement made with the Stock Exchange.

FOR AND ON BEHALF OF THE BOARD

Sd/-

PRADEEP GODHA
CHAIRMAN &
MANAGING DIRECTOR

Place : Mumbai

Dated: June 26, 2008

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 31st March, 2008 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

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/-

(B.F. Chordia)
Proprietor

Place: Mumbai.

Date: June 26, 2008.

Management Discussion and Analysis Report

Economic Overview

In spite of general slowdown, the Economic Survey has put the India's GDP growth rate at 8.7% this year as compared to 9.6% in the year 2006-07. This reflects the fact that the fundamentals of the Indian economy remain intact. The GDP growth exceeding 8% year on year since 2003-04 does inspire some confidence. The growth rate of per-capita income in 2007-08 is at 7.2% which matches the average growth of the past five years. Aligned to this has been the growth in per-capita consumption at 5.5% which is marginally higher than the previous five yearly average. There is, however, a concern on inflation which was projected to decline at 4.1% but has actually significantly increased in recent months so as to warrant the Government's serious attention. On the balance of payment front, there is a considerable uncertainty arising out of the US sub-prime mortgage crisis though there has been a 150% increase in net foreign direct investment. Further, there has been considerable increase in Crude oil prices internationally. All these factors impact demand for jewellery world over and, more particularly, in USA. These macro economic developments do affect 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 products 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 the world's largest single concentration of jewellery manufacturing units. Today, the success of the SEEPZ units is being replicated by units across the country whether within or outside of Export Processing and Special Economic Zones.

India in many ways is the most complete jewellery centre in the world. The easy availability of the entire range of diamond and coloured gemstones, and a competitively priced, yet highly skilled workforce are two obvious factors in its favour. Over and above that, unlike other major jewellery manufacturers which specialise in a certain type of products, India is the centre with an amazing range of capabilities. It offers everything from hand made to machine made, diamond studded to coloured stone studded jewellery in gold, silver and platinum.

Recognizing significant contribution of Gem & Jewellery exports in total exports, 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, increased duty free entitlement for consumables /tools, machinery & equipments and categorisation of exporters has been changed to Export Houses and Trading Houses with rationalization & change in export performance parameters. The Government has also substantially reduced import duty on various Gem & Jewellery items.

During the year 2007-08, the Indian Gem and Jewellery industry witnessed a growth of 2.74% with total gem & jewellery exports reaching USD 17.1b (Rs. 77180.28 crores) as compared to USD 16.6b (Rs. 73342.44 crores) in the last year.

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.

In the jewellery segment India has not only begun to stand up and be counted, but is showing every sign of becoming a significant force as well. In the future India is well poised to emerge as the epicenter of the global gems and jewellery industry. Further, China's acceptance of World Trade Organization (WTO) membership has opened up opportunities for foreign participation in its jewellery market. The Chinese market can also be seen as a source where manufacturing activities can be conducted. However it is also important to note that China has restrictions in the form of Foreign Currency Controls.

Financial and Operational Performance

The Company has achieved Sales of Rs.5981.25 lakhs as compared to Rs.5577.40 lakhs in the previous year, registering a growth rate of 7.24%. Consolidated Sales have been Rs.7230.44 lakhs as against Rs.6770.03 lakhs in the previous year, registering a growth rate of 6.80%. Operating Profit has been Rs.215.09 lakhs as against Rs.190.70 lakhs in the previous year. Net Profit has been Rs.102.69 lakhs as against Rs.105.32 lakhs in the previous year. The Company has sustained its performance in spite adverse market conditions.

The Company is negotiating to acquire assets of a jewellery manufacturing unit in Germany. This acquisition may be made by 100% owned step-down subsidiary which may be formed through Shantivijay International Ltd., Mauritius, a wholly owned subsidiary of the Company. This acquisition would afford better access to the Company Products in European markets and, in turn, drive volume growth.

Segment-Wise Performance

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

	Rs. in Lakhs
EXPORTS to :	
U.S.A.	2487.67
EUROPE	1744.54
MIDDLE EAST	593.80
OTHERS	849.29
LOCAL SALES	178.29
Total	<u>5853.59</u>

(Contd..)

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 at Dubai and Shantivijay Impex DMCC under incorporation in 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.

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 Company is exposed to this risk in exchange rate fluctuations as the Company is 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.

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, the Company is exposed to national and international political and economical events and uncertainties. Further, rising interest rates can also increase finance cost for the Company on account of volume growth and expansion.

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 is looking at expansion by acquisition of assets overseas which can help access to markets with better margins. The Company expects to further consolidate and sustain growth by winning 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, 2008 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, 2008 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, 2008;
 - (ii) In the case of the Profit and Loss Account of the profit for the year ended on that date and
 - (iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

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

Sd/-

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

Place: Mumbai
Dated: 26th June, 2008

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 of the Companies Act 1956.
- ii) Company had taken loan from 3 parties. The maximum amount involved during the year was

Rs.46.11 Lacs and year-end balance of loans taken from such parties was Rs. 11.62 lacs.

- iii) Loans taken are 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.
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 Section 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, during the year company has not entered into any such contracts.
 6. The Company has not accepted any deposits from the public except unsecured interest free advances from Directors which are 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, Service Tax, 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 31st March, 2008 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.74.09 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.2004-05	Income Tax CIT (Appeals)	22.67 Lacs
		A.Y 2005-06	CIT (Appeals)	46.82 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	4.51 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 repayment of dues to Bank.
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: 26th June, 2008

SHANTIVIJAY JEWELS LIMITED**BALANCE SHEET AS ON 31ST MARCH, 2008**

	Schedules	As at 31.03.2008 (Rupees)	As at 31.03.2007 (Rupees)
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	207986050	197717174
LOANS FUNDS			
Secured Loans	C	108286013	108166841
Unsecured Loan		1162350	Nil
TOTAL		347454413	335904015
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	D	62304142	59478797
Less : Depreciation		36244323	32509663
		26059819	26969134
Capital Work in Progress		Nil	154360
INVESTMENTS			
Deferred Tax Asset	E	19185385	19185385
		2420000	2237000
CURRENT ASSETS LOANS & ADVANCES			
Inventories	F	156099476	143076241
Debtors		117974122	144019868
Cash & Bank Balances		3487982	3470048
Loans & advances		47499704	43496272
		325061284	334062429
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	G	25045083	39453047
Provisions		226992	7251246
NET CURRENT ASSETS		299789209	287358136
TOTAL		347454413	335904015
NOTES TO THE ACCOUNTS	N		

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered AccountantsSd/-
B.F. Chordia
ProprietorPlace : Mumbai
Dated : 26th June, 2008For **SHANTIVIJAY JEWELS LTD.****P.K. GODHA** (Chairman & M.D.)**A.K. GODHA** (Vice Chairman & M.D.)Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENED 31ST MARCH, 2008

Schedules	For the year ended 31.03.2008 (Rupees)	For the year ended 31.03.2007 (Rupees)
INCOME		
Sales & Operating Income	H 598125612	557740059
Other income	I 5332754	4860692
TOTAL	603458366	562600751
EXPENDITURE		
Materials	J 527579703	483153253
Increase/Decrease in the Stock	K (7647854)	4493298
Manufacturing /Administrative/ Selling & Distribution expenses	L 58281996	51862593
Interest (Net)	M 5193465	6240553
Depreciation	3734660	4021300
Provision for Diminution in the value of Investments	Nil	366000
TOTAL	587141970	550136997
Net Profit for the Year (Before Taxation)	16316396	12463754
Add : Deferred Tax Asset(Liability)	183000	(195000)
Less : Provision for Taxation	6035615	1550605
Less : Provision for Fringe benefit Tax	194905	186003
Add : Profit Brought/Forward	21880002	19172236
Net Profit available for Appropriation	32148878	29704382
Less : Transferred to General Reserve	Nil	800000
Less : Proposed Dividend	Nil	6004000
Less : Tax on dividend	Nil	1020380
Profit Carried to Balance Sheet	32148878	21880002
Earning per share (Basic & Diluted)(Equity Shares of Rs.10/- each)	3.42	3.51
NOTES TO THE ACCOUNTS	N	
() Indicates Deduction		

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-
B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**

P.K. GODHA (Chairman & M.D.)

A.K. GODHA (Vice Chairman & M.D.)

Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

SHANTIVIJAY JEWELS LIMITED

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

	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised		
6000000 Equity Shares of Rs 10/- each	<u>6000000</u>	<u>6000000</u>
Issued		
3002000 Equity shares of Rs.10 each	<u>3002000</u>	<u>3002000</u>
Subscribed & Paid Up		
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>3002000</u>
TOTAL	<u><u>3002000</u></u>	<u><u>3002000</u></u>

SCHEDULE 'B' RESERVE AND SURPLUS

Share premium		46797952	46797952
Capital Reserve		20055422	20055422
General Reserve Balance	108983798		108183798
Add : Transfer from Profit & Loss A/c	<u>Nil</u>	108983798	<u>800000</u>
Profit & Loss Account		<u>32148878</u>	<u>21880002</u>
TOTAL		<u><u>207986050</u></u>	<u><u>197717174</u></u>

SCHEDULE 'C' SECURED LOANS FROM BANK

PACKING CREDIT		93262677	108166841
DISCOUNTED BILLS FROM CANARA BANK		15023336	Nil
(Against hypothecation of stocks, collaterally secured by hypothecation of Book debts & Machinery and Negative Lien of Immovable property of Precious Gems P Ltd and Rajrani Godha, personally guaranteed by some of the directors & their relatives.)			
TOTAL		<u><u>108286013</u></u>	<u><u>108166841</u></u>

SCHEDULE 'D' FIXED ASSETS

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2007	ADDITIONS DURING THE YEAR	SALE/ TRANSFER	TOTAL	UPTO 1.4.2007	FOR THE YEAR 31.03.2008	ADJ. ON SALE/ TRANSFER	UPTO 31.03.2008	AS ON 31.03.2008	AS ON 31.03.2007
Building	29602180	0	0	29602180	13432594	1616959	0	15049553	14552627	16169586
Plant & Machinery	16161884	2346302	0	18508186	11003576	799008	0	11802584	6705602	5158308
Elec. Installation	1169014	67764	0	1236778	797841	56637	0	854478	382300	371173
Motor Vehicles	4873418	0	0	4873418	2145922	706148	0	2852070	2021348	2727496
Office Equipments	5370971	336769	0	5707740	3755773	364497	0	4120270	1587470	1615198
Furniture & Fixtures	2301330	74510	0	2375840	1373957	191412	0	1565369	810471	927373
TOTAL	59478797	2825345	0	62304142	32509663	3734660	0	36244323	26059819	26969134
Previous Year	58678193	2016367	1215763	59478797	29401344	4021300	912981	32509663	26969134	29276849

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

	As at 31.03.2008 (Rupees)	As at 31.03.2007 (Rupees)
SCHEDULE 'E'		
INVESTMENTS		
QUOTED, NON-TRADING LONG TERM, At COST		
300 Fully paid Equity shares of Rs10/- each of Gujarat Fluorochemicals Ltd.	32475	32475
4100 Fully paid Equity shares of Rs.35/- each of Canara Bank	<u>143500</u>	<u>143500</u>
	175975	175975
(Market Value Rs. 9.78 Lacs, Previous Year Rs. 9.68 Lacs)		
UNQUOTED IN WHOLLY OWNED SUBSIDIARY COMPANIES		
450250 fully paid Equity shares of US \$ 1 each in Shantivijay Jewels International Ltd., Mauritius.	18826410	18826410
183000 Fully paid Equity shares of Rs.10/- each of German Garden Ltd. Less : Provision for Dimunition in the value	<u>2021613</u> <u>1838613</u>	<u>2021613</u> <u>1838613</u>
	183000	183000
TOTAL	<u>19185385</u>	<u>19185385</u>
SCHEDULE 'F'		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES (As taken ,valued & certified by Directors)		
Raw Materials	108184415	98018541
Finished Goods	45193847	41962517
Stores& Spares	2721214	3095183
TOTAL	<u>156099476</u>	<u>143076241</u>
SUNDRY DEBTORS (Unsecured, considered good)		
Due for less than 6 months	116244950	128415270
Due for more than 6 months	1729172	15604598
(Including Rs.176.64 Lacs due from Shantivijay Impex, subsidiary of wholly owned subsidiary Pr.year Rs.109.09 Lacs)	<u>117974122</u>	<u>144019868</u>
CASH AND BANK BALANCES		
Cash in Hand	555325	524014
Balance with scheduled banks		
In current A/C	1831295	1809969
In fixed deposit A/C (with accrued interest)	854405	852691
In EEFC Account	246957	283374
TOTAL	<u>3487982</u>	<u>3470048</u>
LOANS AND ADVANCES (Unsecured, considered good)		
Advances receivable in cash or in kind or for value to be received	21313985	21194019
Deposits with Government and other agencies	9473860	9835870
Taxes Paid	16711859	12466383
TOTAL	<u>47499704</u>	<u>43496272</u>

SHANTIVIJAY JEWELS LIMITED
SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2008 (Rupees)	As at 31.03.2007 (Rupees)
SCHEDULE 'G'		
CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors		
a) Total outstanding dues of Micro, Medium and Small Enterprises (Refer Note B (3) to Schedule N)	Nil	Nil
b) Total outstanding dues of creditors other than Micro, Medium and Small Enterprises	23056641	33105706
Due to Directors	435890	598991
Deposit received	1320602	1148350
Advance against Orders	231950	4600000
TOTAL	25045083	39453047
B) PROVISIONS		
Proposed Dividend	Nil	6004000
Dividend tax payable	Nil	1020380
Employee benefit Scheme	226992	226866
TOTAL	226992	7251246
	For the year ended 31.03.2008	For the year ended 31.03.2007
SCHEDULE 'H'		
SALES AND OPERATING INCOME		
Sales	598117088	557740059
Labour received	8524	Nil
TOTAL	598125612	557740059
SCHEDULE 'I'		
OTHER INCOME		
Dividend	28700	30060
Misc Income	Nil	80587
Excess prov for exp written back	21654	2138
Rent recd (Tds of Rs.13.33 lacs)	5282400	4650923
Exchange Fluctuation	Nil	96984
TOTAL	5332754	4860692
SCHEDULE 'J'		
MATERIAL		
1. CONSUMPTION		
Opening Stock of Raw Materials	98018541	79950518
Purchase of Raw Materials	445002888	429458003
Recovered out of Melting of Finished Goods	30617446	6175383
	573638875	515583904
Less : Closing Stock of Raw Materials	108184415	98018541
TOTAL	465454460	417565363
2. TRADING MATERIALS		
	62125243	65587890
TOTAL	527579703	483153253
SCHEDULE 'K'		
INCREASE / DECREASE IN STOCK OF FINISHED GOODS /W.I.P.		
Opening Stock of Finished Goods	41962517	41922527
Add : Purchases of Finished Goods	26200922	10708671
	68163439	52631198
Less : Closing Stock of Finished Goods	45193847	41962517
Less : Melting of Finished Goods	30617446	6175383
TOTAL	(7647854)	4493298

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

	For the year ended 31.03.2008 (Rupees)	For the year ended 31.03.2007 (Rupees)
SCHEDULE 'L'		
MANUFACTURING/ ADMINISTRATIVE /SELLING & DISTRIBUTION EXPENSES		
MANUFACTURING EXPENSES		
Consumable Stores, Spares & Tools	4012813	3383827
Labour Charges	21546676	17000494
Rent	572920	498006
Electricity Charges	2063603	1549168
Seepz Water charges	262176	243060
Repairs & Maintenance to Machinery	772819	438894
EMPLOYMENT EXPENSES		
Employees Emoluments:		
Salaries & Wages	7094881	6353052
Contribution to PF & Other Funds (Incl. Rs.4.08 Lacs for Directors)	1283078	1369218
Welfare Expenses	36305	38276
	<u>8414264</u>	<u>7760546</u>
Directors' Remuneration	3792105	3878215
Directors' Fees	110000	120000
ADMINISTRATIVE EXPENSES		
Advertisement Expenses	57996	26042
Professional & Technical Fees	1113352	1246262
Bank Charges	1877179	1311971
Rent	62460	88920
Rates & Taxes	76212	79212
Repairs & Maintenance:		
Others	917241	786827
Buildings	26151	943392
	<u>1094241</u>	<u>56356</u>
Donations	1094241	1840257
Auditors Remuneration:		
As Auditors	150000	120000
For Taxation Services	40000	30000
For consultancy services	60000	50000
	<u>250000</u>	<u>200000</u>
Insurance	775663	798875
Prior Period Items	47132	49611
Custom Duty	132000	Nil
Other General Expenses	3457674	3216648
SELLING & DISTRIBUTION EXPENSES		
Exhibition Expenses	931198	966036
Travelling Expenses	2172671	2253941
Credit Cards Commission	154364	20689
Freight & Cartage	1140950	1009793
Commission & Discount	2448136	3038943
TOTAL	<u><u>58281996</u></u>	<u><u>51862593</u></u>
SCHEDULE 'M'		
INTEREST		
Bank Interest	6008259	7031829
other interest	6765	Nil
	<u>6015024</u>	<u>7031829</u>
Less : Interest recd. (Tds. Rs 1.72 lacs)	<u>821559</u>	<u>791276</u>
TOTAL	<u><u>5193465</u></u>	<u><u>6240553</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 net of vat less accumulated depreciation. 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 adjusted for gain/loss on export realisation, year end restatement and corresponding forward exchange contracts. 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 premium or discount on forward exchange contracts is recognised over the life of the 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 (including acquisition of fixed assets.)

e) Exchange difference is adjusted against sales /purchases etc wherever applicable.

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 is charged to profit & loss a/c on accrual basis.

Accrued leave salary is estimated and provided on actual basis. The expense is recognised at present value of amount payable to employees. Total liability for leave salary outstanding at year end rate is Rs. 1.98 lacs.

Contd...

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

Provision for current tax is made considering Rules/benefits admissible under Income tax Act 1961.

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. Provision for Fringe benefit tax has been made in accordance with applicable Income tax laws prevailing for relevant Assessment year.

xi) Provisions, Contingent liabilities and contingent Assets

Provisions in respect of present obligations arising out of past events are made in Accounts where 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.**

	2008 (Rupees)	2007 (Rupees)
i) In respect of Income tax matters contested by the company	69.49 Lacs	34.59 Lacs
ii) In respect of Sales tax matters	0.09 Lacs	0.09 Lacs
iii) In respect of Custom Duty matter	4.51 Lacs	5.76 Lacs
iv) Estimated Amount of Contracts remaining to be executed on Capital Accounts and not provided for in the accounts.	NIL	NIL

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

3) Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006:

There are no outstanding dues payable to parties covered under the Micro, Small and Medium enterprises as per MSMED Act, 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the company.

During the year, Company have not paid any interest to such suppliers and no interest was accrued and remaining unpaid at the year end. This has been relied upon by the auditors.

4) DIRECTORS REMUNERATION

	2008 (Rupees)	2007 (Rupees)
i) Salary	340000	3540000
ii) Perquisites	392105	338215
iii) Contribution to P.F.	408000	403200
	4200105	4281415
iv) Meeting Fees	110000	120000
iv) Estimated monetary value of Perquisite in the form of personal use of Assets at Residence.	13927	20050
v) The above figures do not include contribution to Gratuity Fund for Directors, as separate figures could not be ascertained.		

5) The Profit & Loss A/c includes aggregate exchange difference (Net) of Rs. 141.74 lacs (credit) Pr. Year Rs. 8.47 lacs (credit).

6) RELATED PARTY TRANSACTIONS

AS PER ANNEXURE ATTACHED

7) 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	BALANCE ON		BALANCE ON	
	SALES 31.03.2008	31.03.2008	SALES 31.03.2007	31.03.2007
EXPORTS				
U.S.A	2487.67	305.03	2566.47	388.26
EUROPE	1744.54	111.71	1335.63	172.20
MIDDLE EAST	593.80	322.22	782.82	306.04
OTHERS	849.29	435.53	833.62	571.68
LOCAL SALES	178.29	5.26	51.96	2.02
	5853.59	1179.74	5570.50	1440.20

Contd...

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

8) LEASE DISCLOSURES

The Company has entered into Four Lease agreements 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.116.18 lacs. Lease Income Rs.52.82 lacs is recognised on straight-line basis in the profit & loss account. Depreciation Rs.15.68 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 Rs. 52.82 lacs) and lease rental receivable later than one year but not later than 5 years Rs. 35.22 lacs.

9) Earning Per Share (EPS)

EPS computed in accordance with Accounting standard -20.

Basic & Diluted

	<u>2008</u>	<u>2007</u>
Profit after tax as per Accounts	Rs. 102.69 Lacs	Rs. 105.32 Lacs
Number of equity shares issued	3002000	3002000
Face value of the Shares	10	10
EPS (Basic & Diluted)(Rs.)	3.42	3.51

10) 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>31.03.2008</u>	(Rs. in Lacs) <u>Up to</u> <u>31.03.2007</u>
Assets		
Difference between book & Tax Depreciation	24.20	22.37
Deferred Tax Asset Provision required	1.83	(1.95)

11) Installed Capacity NOT APPLICABLE

12) Licensed Capacity NOT APPLICABLE

13) QUANTITY DETAILS OF SALES

	<u>QTY</u> <u>NO./Sets</u>	<u>2008</u> <u>VALUE (Rs.)</u>	<u>QTY</u> <u>NO./Sets</u>	<u>2007</u> <u>VALUE (Rs.)</u>
Jewellery & Objects of Arts	21027 Nos.	5210.18 Lacs	20809 Nos.	4894.19 Lacs
Diamond & Precious Stones	5676.52 cts	639.43 Lacs	5345 cts	674.01 Lacs
Others		3.99 Lacs		2.30 Lacs
		<u>5853.59 Lacs</u>		<u>5570.50 Lacs</u>

14) QUANTITY DETAILS OF CONSUMPTION OF RAW MATERIALS

				(Rs. in Lacs)
Gold	102.04 Kgs.	977.59	97.58 Kgs.	861.99
Diamonds	29773.68 cts	3589.32	24560 cts	3214.37
Precious Stones & metal (Individual consumption Whereof accounts for less than 10% of total consumption.)		94.39		100.54
		<u>4661.30</u>		<u>4176.90</u>
Add : Diamond & Pr.stones resale	6565.87 cts	621.25	5584 cts	654.89
		<u>5282.55</u>		<u>4831.79</u>

Contd...

SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**15) CONSUMPTION OF IMPORTED & INDIGENOUS RAW MATERIALS & STORES**

A) RAW MATERIALS CONSUMED	(Rs. in Lacs)	%	(Rs. in Lacs)	%
Indigenous	4859.38	92%	4532.79	94%
Imported	423.17	8%	299.00	6%
B) STORES & TOOLS CONSUMED				
Indigenous	27.52	68%	15.44	47%
Imported	12.86	32%	17.62	53%

16) QUANTITY DETAILS OF PURCHASE OF FINISHED GOODS.

Jewellery & Objects of Arts.	1169 Nos	Rs. 269.16 Lacs	430 Nos	Rs. 108.62 Lacs
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17) QUANTITY DETAILS OF ACTUAL PRODUCTION

Jewellery Articles & Objects Arts.(Net of broken)	20213 Nos	20037 Nos
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18) FINANCIAL AND DERIVATIVE INSTRUMENT:-

- 1) Forward exchange contract entered into by the company for hedging currency related risks and outstanding as on 31.03.2008 RS.1116.94 lacs (US \$2800000) (Previous year Rs. 1117.14 lacs US \$ 2500000)
- 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 31.03.2008 Rs. 96.87 lacs on account of Import/Export of goods. (Pr. year Rs.182.02 lacs)

19) CIF Value of import	(Rs. in lacs)	(Rs. in lacs)
(Excluding inter unit purchases)		
Raw Materials	172.02	152.53
Stores & Consumables & Spares	11.13	16.00
Finished Goods	267.99	99.53
Fixed Assets	20.99	0.00
	472.13	268.06

20) EXPENDITURE IN FOREIGN CURRENCY

Travelling Expenses	8.58	9.81
Exhibition Expenses & Advances	9.63	7.34
Bank charges	0.59	0.59
Membership & Subscription	0.04	0.04
Sales Commission	14.76	24.70
Dividend (Proposed)	0.00	1.19
	33.60	43.67

21) EARNINGS IN FOREIGN EXCHANGE

FOB value of Exports	5437.83	5508.59
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22) No. of Non Residential Share Holders

No. of Shares held by them	9	8
Dividend remitted	60419	60900
Year to which Dividend relates (Dividend not remitted during the year)	1.21 Lacs	NIL
	2006-07	—

23) Stock of Finished Goods:

	(2007 - 2008)		(2006-2007)		(2005-2006)	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Jewellery Articles & Objects of Arts.	1791 Nos.	451.94 Lacs	1436 Nos.	419.63 Lacs	1778 Nos.	419.23 Lacs

Contd...

SHANTIVIJAY JEWELS LIMITED

24) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. : **23289** State code : **11**
Balance Sheet Date **31 03 2008**
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	347454	Total Assests	347454
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SOURCES OF FUNDS

Paid - up Capital	30020	Reserve & Surplus	207986
Secured Loans	108286	Unsecured Loans	1162

APPLICATION OF FUNDS

Net Fixed Assets	26060	Investments	19185
Net Current Assets	299789	Misc Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Asset	2420

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

Turnover	603458	Total Expenditure	587142
Profit Before Tax	16316	Profit After Tax	10269
Earning Per Share in Rs.	3.42	Dividend Rate (%)	NIL

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

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-
B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**
P.K. GODHA (Chairman & M.D.)
A.K. GODHA (Vice Chairman & M.D.)

Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

**ANNEXURE
ENCLOSURE FOR RELATED PARTY DISCLOSURE:**

(Figures in Rs.)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT	OUTSTANDING	TRANSACTION AMOUNT	OUTSTANDING
				31.03.2008	31.03.2008	31.03.2007	31.03.2007
1	Shantivijay Impex FZCO	Subsidiary of wholly owned subsidiary	Sales	26451959	17663833 DR	50633734	10908552 DR
2	Shantivijay Impex FZCO	Subsidiary of wholly owned subsidiary	Purchases	11399400	0	4627313	0
3	Bimalchand Godha	Director	Remuner + perks advance recd	980475 1670000	220314 CR 1162350 CR	1348293 29145	466820 CR 0
4	Pradeep Kumar Godha	Director	Remuner + perks advance recd	1327473 1046000	136151 CR 0	1193132 0	70610 CR 0
5	Anurag Godha	Director	Remuner + perks Advance recd	1484157 1895000	79425 CR 0	1336790 0	61561 CR 0
6	Rajrani Godha	Wife of Director	Remuneration + Bonus and rent paid Security deposit paid Purchases of Stones	130369 0	49133 CR 8500000 DR 0	121790 0 400000	57076 CR 8500000 DR 0
7	Sudha Godha	Wife of Director	Remuneration + Bonus	172796	73341 CR	157087	84176 CR
8	Namita Godha	Wife of Director	Remuneration + Bonus	172796	156312 CR	157087	113008 CR
9	Varun Godha	Son of Director	Remuneration + bonus	0	0	45201	0
Surety given to Company's banker by Third parties							
1	Precious Gems P.Ltd	Associate Company	Surety given to Company bankers (without any charge)	Market Value	11400000		4000000
2	Rajrani Godha	Wife of Director	-- do --	Market Value	29400000		11000000

DR - Debit CR - Credit

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	(Rupees in Thousands)	
	2008	2007
A. CASH FLOW FROM OPERATION ACTIVITIES :-		
Net Profit before tax & extraordinary items	16499	12268
Adjustments for :		
Depreciation	3735	4021
Interest paid	6015	7032
	<u>26249</u>	<u>23321</u>
Adjustments for :		
Interest/Dividend Received	(850)	(821)
Loss on sale of Assets	0	39
Profit on sale of Assets	0	(26)
Diminution in the value of Investment	0	366
Provision for Deferred Tax Liability/Asset	(183)	195
<i>Operating Profit before working capital changes</i>	<u>25216</u>	<u>23074</u>
Adjustments for :		
Trade & other receivables	26288	(30425)
Inventories	(13023)	(18177)
Trade Payables	(14408)	28900
<i>Cash generated from Operation</i>	<u>24073</u>	<u>3372</u>
Interest Paid	(6015)	(7032)
Taxes Paid	(11496)	860
<i>Net cash used in Operating activities</i>	<u>6562</u>	<u>(2800)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :-		
Purchase of Fixed assets	(2671)	(2171)
Sale of Fixed Assets.	0	290
Interest & Dividend Received	850	821
<i>Net cash used in Investment activities</i>	<u>(1821)</u>	<u>(1060)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :-		
Increase in Unsecured Advances	1162	0
Increase in bank borrowings	119	(15427)
Dividend Paid	(6004)	0
<i>Net cash used in Finance activities</i>	<u>(4723)</u>	<u>(15427)</u>
NET DECREASE IN CASH EQUIVALENTS (B + C-A)	<u>18</u>	<u>(19287)</u>
Cash and Cash Equivalents		
Opening Balance	3470	22757
Closing Balance	<u>3488</u>	<u>3470</u>
	<u>18</u>	<u>(19287)</u>

() Indicates deductions.

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-
B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**

P.K. GODHA (Chairman & M.D.)

A.K. GODHA (Vice Chairman & M.D.)

Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

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, 2008, 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 Shantiivjay Impex DMCC Dubai whose financial statements reflect total assets (Net) of Rs. 685.09 lakhs as at March 31, 2008 and total revenues of Rs1631.46 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, 2008.
 - 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: 26th June, 2008.

SHANTIVIJAY JEWELS LIMITED
CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2008

	Schedules	AS AT 31.03.2008 (Rupees)	AS AT 31.03.2007 (Rupees)
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	255419255	237312134
LOANS FUNDS			
Secured Loans	C	108286013	108166841
Un Secured Loans		1162350	Nil
TOTAL		394887618	375498975
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	D	62833072	60192872
Less : Depreciation		36637850	33069565
		26195222	27123307
Capital Work in Progress		4959354	4053745
INVESTMENTS			
	E	358975	358975
DEFERRED TAX ASSETS			
		2420000	2237000
CURRENT ASSETS LOANS & ADVANCES			
	F		
Inventories		229945282	218454224
Debtors		145299081	179705123
Cash & Bank Balances		7186485	4933733
Loans & advances		48570467	44322747
		431001315	447415827
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	G	69820255	98438633
Provisions		226992	7251246
NET CURRENT ASSETS		360954067	341725948
TOTAL		394887618	375498975
NOTES TO THE ACCOUNTS			
	N		

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-
B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**
P.K. GODHA (Chairman & M.D.)
A.K. GODHA (Vice Chairman & M.D.)

Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Schedules	For the year ended 31.03.2008 (Rupees)	For the year ended 31.03.2007 (Rupees)
INCOME		
Sales & Operating Income	H 723044431	677003013
Other income	I 5709025	5029610
	<u>728753456</u>	<u>682032623</u>
EXPENDITURE		
Materials	J 527579703	488153295
Increase/Decrease in the Stock	K 101588224	104521867
Manufacturing, Maintenance & Administrative Expenses	L 61722345	55158603
Interest (Net)	M 5193465	6240553
Depreciation	3880574	4167865
Provision for Diminution in the value of Investments	Nil	366000
Exchange diff. on translation & consolidation	Nil	1920465
TOTAL	<u>699964311</u>	<u>660528648</u>
Net Profit for the Year (Before Taxation)	28789144	21503975
Add : Deferred Tax Asset (Liability)	183000	(195000)
Less : Provision for Taxation	6035615	1550605
Less : Provision for Fringe benefit Tax	194905	186003
Add : Profit Brought/Forward	<u>61474962</u>	<u>49726975</u>
Net Profit available for Appropriation	84216587	69299342
Less : Transferred to General Reserve	Nil	800000
Less : Proposed Dividend	Nil	6004000
Less : Tax on dividend	Nil	1020380
Profit Carried to Balance Sheet	<u>84216587</u>	<u>61474962</u>
Earning per share (Basic & Diluted) (Equity Shares of Rs. 10/- each)	7.58	6.52

NOTES TO THE ACCOUNTS**N**

() Indicates Deduction

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered AccountantsSd/-
B.F. Chordia
ProprietorPlace : Mumbai
Dated : 26th June, 2008For **SHANTIVIJAY JEWELS LTD.**
P.K. GODHA (Chairman & M.D.)
A.K. GODHA (Vice Chairman & M.D.)Directors
S.S.KASLIWAL
A.R.SHAH
J.B. SHAH
T.A. MAVANI

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

	As at 31.03.2008 (Rupees)	As at 31.03.2007 (Rupees)
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised 6000000 Equity Shares of Rs 10/- each	<u>60000000</u>	<u>60000000</u>
Issued 3002000 Equity shares of Rs.10 each	<u>30020000</u>	<u>30020000</u>
Subscribed & Paid Up 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>
TOTAL	<u>30020000</u>	<u>30020000</u>
SCHEDULE 'B'		
RESERVE AND SURPLUS		
Share premium	46797952	46797952
Capital Reserve	20055422	20055422
General Reserve Balance	108983798	108983798
Add :Transfer from P & L A/c	Nil	Nil
Exchange translation reserve	(4634504)	Nil
Profit & Loss Account	84216587	61474962
TOTAL	<u>255419255</u>	<u>237312134</u>
SCHEDULE 'C'		
SECURED LOANS FROM CANARA BANK		
PACKING CREDIT	93262677	108166841
DISCOUNTED BILLS (Against hypothecation of stocks, collaterally secured by hypothecation of Book debts & Machinery and Negative Lien of Immovable property of Precious Gems P ltd and Rajrani Godha, personally guaranteed by some of the directors & their relatives.)	15023336	Nil
TOTAL	<u>108286013</u>	<u>108166841</u>
UNSECURED LOANS		
From Directors	1162350	Nil
TOTAL	<u>1162350</u>	<u>Nil</u>

SCHEDULE 'D'
FIXED ASSETS

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2007	ADDITIONS DURING THE YEAR	SALE/ TRANSFER	TOTAL	UPTO 1.4.2007	FOR THE YEAR 31.03.2008	ADJ. ON SALE/ TRANSFER	UPTO 31.03.2008	AS ON 31.03.2008	AS ON 31.03.2007
Building	29602180	0	0	29602180	13432594	1616959	0	15049553	14552627	16169586
Plant & Machinery	16161884	2346302	0	18508186	11003576	799008	0	11802584	6705602	5158308
Elec. Installation	1169014	67764	0	1236778	797841	56637	0	854478	382300	371173
Motor Vehicles	4873418	0	0	4873418	2145922	706148	0	2852070	2021348	2727496
Office Equipments	5642274	336769	0	5979043	3933384	453170	0	4386554	1592488	1708890
Furniture & Fixtures	2431811	201656	0	2633467	1443957	248653	0	1692610	940857	987854
TOTAL	59880581	2952491	0	62833072	32757274	3880574	0	36637848	26195222	27123307
Previous Year	58968115	2128229	1215763	59880581	29502388	4167865	912981	32757274	27123307	29465727

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

	As at 31.03.2008 (Rupees)		As at 31.03.2007 (Rupees)	
SCHEDULE 'E'				
INVESTMENTS				
QUOTED, NON-TRADING LONG TERM, AT COST				
300 Fully paid Equity shares of Rs.10/- each of Gujarat Flurochemicals Ltd.	32475		32475	
4100 Fully paid Equity shares of Rs.35/- each of Canara Bank (Market Value Rs.9.78 Lacs, Previous Year Rs.9.68 Lacs)	<u>143500</u>	175975	<u>143500</u>	175975
UNQUOTED				
183000 fully paid Equity shares of Rs.10/- each of German Garden Ltd.	2021613		2021613	
Less : Provision for Diminution in the value	<u>1838613</u>	183000	<u>1838613</u>	183000
TOTAL		<u><u>358975</u></u>		<u><u>358975</u></u>
SCHEDULE 'F'				
CURRENT ASSETS, LOANS & ADVANCES				
INVENTORIES				
(As taken, valued & certified by Directors)				
Raw Materials		108184415		98018541
Finished Goods		119039653		117340500
Stores & Spares		<u>2721214</u>		<u>3095183</u>
		<u><u>229945282</u></u>		<u><u>218454224</u></u>
SUNDRY DEBTORS				
(Unsecured, considered good)				
Due for less than 6 months		119297310		151386194
Due for more than 6 months		<u>26001771</u>		<u>28318929</u>
		<u><u>145299081</u></u>		<u><u>179705123</u></u>
CASH AND BANK BALANCES				
Cash in Hand		583810		524014
Balance with scheduled banks				
In current A/C		5501313		3273654
In fixed deposit A/C (with accrued interest)		854405		852691
In EEFC Account		<u>246957</u>		<u>283374</u>
TOTAL		<u><u>7186485</u></u>		<u><u>4933733</u></u>
LOANS AND ADVANCES				
Unsecured, considered good				
Advances Receivable in cash or in kind or value to be received		21417838		21194019
Deposits with Government and other agencies		10440770		10662346
Taxes paid		<u>16711859</u>		<u>12466382</u>
TOTAL		<u><u>48570467</u></u>		<u><u>44322747</u></u>

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

	As at 31.03.2008 (Rupees)	As at 31.03.2007 (Rupees)
SCHEDULE 'G'		
CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors		
a) Total outstanding dues of Micro, Medium and Small Enterprises	Nil	Nil
b) Total outstanding dues of creditors other than Micro, Medium and Small Enterprises	65805874	92009608
Due to the Directors	435890	598991
Advance/Deposit Received	3578492	5830034
TOTAL	69820255	98438633
B) PROVISIONS		
Proposed Dividend	Nil	6004000
Dividend Tax payable	Nil	1020380
Employee benefit Scheme	226992	226866
TOTAL	226992	7251246
	For the year ended 31.03.2008	For the year ended 31.03.2007
SCHEDULE 'H'		
SALES AND OPERATING INCOME		
Sales	723035907	677003013
Labour	8524	Nil
TOTAL	723044431	677003013
SCHEDULE 'I'		
OTHER INCOME		
Dividend	28700	30060
Misc. Income	376271	249505
Excess prov. for exp written back	21654	2138
Rent recd. (Tds of Rs.13.33 lacs)	5282400	4650923
Exchange Fluctuation	Nil	96984
TOTAL	5709025	5029610
SCHEDULE 'J'		
MATERIALS		
1) CONSUMPTION		
Opening Stock of Raw Materials	98018541	89822184
Purchase of Raw Materials	445002888	446702897
Recovered out of Melting of Finished Goods	30617446	2251811
	573638875	538776892
Less : Closing Stock of Raw Materials	108184415	98018541
	465454460	440758351
2) TRADING MATERIALS		
TOTAL	62125243	47394944
	527579703	488153295
SCHEDULE 'K'		
INCREASE / DECREASE IN STOCK OF FINISHED GOODS /W.I.P.		
Opening Stock of Finished Goods	117340500	89783602
Add : Purchases of Finished Goods	133904823	134330576
	251245323	224114178
Less : Closing Stock of Finished Goods	119039653	117340500
Less : Melting of Finished Goods	30617446	2251811
TOTAL	101588224	104521867

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

	For the year ended 31.03.2008 (Rupees)	For the year ended 31.03.2007 (Rupees)
SCHEDULE 'L'		
MANUFACTURING/ ADMINISTRATIVE /SELLING & DISTRIBUTION EXPENSES		
MANUFACTURING EXPENSES		
Consumable Stores, Spares & Tools	4012813	3383827
Labour Charges	21546676	17000494
Rent	572920	498006
Electricity Charges	2103270	1607903
Seepz Water charges	262176	243060
Repairs & Maintenance to Machinery	772819	438894
EMPLOYMENT EXPENSES		
Employees Emoluments :		
Salaries & Wages	7608779	6878314
Contribution to PF & Other Funds (Incl. Rs.4.08 Lacs for Directors)	1283078	1369218
Welfare Expenses	36305	38276
Directors' Remuneration	3915772	3934778
Directors' Fees	110000	120000
ADMINISTRATION EXPENSES		
Advertisement Expenses	57996	26042
Professional & Technical Fees	1113352	1246262
Bank Charges	1926662	1375095
Rent	1489297	1201663
Rates & Taxes	76212	79212
Repairs & Maintenance :		
Others	1007396	787958
Buildings	26151	56356
Donations	1094241	1840257
Auditors Remuneration :		
As Auditors	226719	317290
For Taxation Services	40000	30000
For Consultancy Services	60000	50000
Insurance	784433	798875
Prior Period Items	47132	49611
Custom Duty	132000	Nil
Other General Expenses	4392338	4391203
SELLING & DISTRIBUTION EXPENSES		
Exhibition Expenses	931198	966036
Travelling Expenses	2286240	2360550
Credit Cards Commission	154364	20689
Freight & Cartage	1185163	1009793
Commission & Discount	2466843	3038943
TOTAL	61722345	55158603
SCHEDULE 'M'		
INTEREST		
Bank Interest	6015024	7031829
Less : Interest recd. (Tds. Rs 1.72 lacs)	821559	791276
TOTAL	5193465	6240553

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

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) 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 & Shantiivjay 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 31.03.2008
a) Shantivijay Jewels International Ltd.	Mauritius	100 %
b) i) Shantivijay Impex FZCO	Dubai	100 %
ii) Shantivijay Impex DMCC (Wholly owned subsidiary of Shantivijay Jewels International Ltd.)	Dubai	100 %

iii) Exchange Adjustments

In case of foreign subsidiaries, being non- integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.

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	SALES		BALANCE ON	
	31.03.2008	31.03.2008	31.03.2007	31.03.2007
EXPORTS				
U.S.A	2539.01	336.13	2568.15	388.26
EUROPE	2462.53	307.08	1916.15	296.01
MIDDLE EAST	985.29	260.01	919.98	396.77
OTHERS	937.66	544.51	1306.89	713.99
LOCAL SALES	178.29	5.26	51.96	2.02
	7102.78	1452.99	6763.13	1797.05

Contd...

vi) Contingent Liabilities	2008	2007
	Rupees	Rupees
i) In respect of Income tax matters contested by the company	69.49 Lacs	34.59 Lacs
ii) In respect of Sales tax matters	0.09 Lacs	0.09 Lacs
iii) In respect of Custom Duty matter	4.51 Lacs	5.76 Lacs
iv) Estimated amount of Contracts remaining to be executed on Capital Accounts and not provided for in the accounts	6.78 Lacs	21.96 Lacs

vii) Figures of previous year have been regrouped and rearranged wherever necessary.

viii) DIRECTORS' REMUNERATION	2008	2007
	(Rupees)	(Rupees)
i) Salary	3523667	3596563
ii) Perquisites	392105	338215
iii) Contribution to P.F.	408000	403200
	4323772	4337978
iv) Meeting Fees	110000	120000
v) Estimated monetary value of Perquisite in the form of personal use of Assets at Residence	13927	20050

ix) Earning per Share (EPS)

EPS computed in accordance with Accounting Standard –20

Basic & Diluted

	2008	2007
Profit/Loss after tax as per Accounts	Rs. 227.42 Lacs	Rs. 195.72 Lacs
Number of equity shares issued	3002000	3002000
Face value of the Shares	10	10
EPS (Basic & Diluted) (Rs.)	7.58	6.52

x) 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 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.

Deferred tax asset in respect of losses of Subsidiary has not been recognised.

Provision for Fringe benefit tax has been made in accordance with applicable Income tax laws prevailing for relevant Assessment year.

xi) Related party transaction: As per Annexure attached.

xii) Fixed Assets

The gross block of all fixed assets is stated at cost less accumulated depreciation. Rubber moulds of small value have not been capitalized and considered as consumables and charged to revenue.

xiii) 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.

xiv) 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.

Contd...

xv) **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.

xvi) **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. 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 premium or discount on forward exchange contract is recognised over the life of the 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 (including acquisition of fixed assets.)
- e) Exchange difference is adjusted against sales /purchases etc wherever applicable.

xvii) **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.

Accrued leave salary is estimated and provided on actual basis. The expense is recognised at present value of amount payable to employees. Total liability for leave salary outstanding at year end rate is Rs. 1.98 lacs.

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-

B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**

P.K. GODHA (*Chairman & M.D.*)

A.K. GODHA (*Vice Chairman & M.D.*)

Directors

S.S.KASLIWAL

A.R.SHAH

J.B. SHAH

T.A. MAVANI

ANNEXURE (TO CONSOLIDATED ACCOUNTS)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT	OUTSTANDING	TRANSACTION AMOUNT	OUTSTANDING
				31.03.2008	31.03.2008	31.03.2007	31.03.2007
1	Bimalchand Godha	Director	Remuner + perks advance recd.	980475 1670000	220314 CR 1162350 CR	1348293 29145	466820 CR 0
2	Pradeep Kumar Godha	Director	Remuner + perks advance recd.	1327473 1046000	136151 CR 0	1193132 0	70610 CR 0
3	Anurag Godha	Director	Remuner + perks Advance recd.	1484157 1895000	79425 CR 0	1336790 0	61561 CR 0
4	Rajrani Godha	Wife of Director	Remuneration + Bonus and rent paid Security deposit paid Purchases of Stones	130369 0 0	49133 CR 8500000 DR 0	121790 0 400000	57076 CR 8500000 DR 0
5	Sudha Godha	Wife of Director	Remuneration + Bonus	172796	73341 CR	157087	84176 CR
6	Namita Godha	Wife of Director	Remuneration + Bonus	172796	156312 CR	157087	113008 CR
7	Varun Godha	Son of Director	Remuneration + bonus	0	0	45201	0
8	International Financial Services Ltd.	Company in which Director are interested	Remuneration	74345	0	56563	0
Surety given to Company's banker by Third parties							
1	Precious Gems P. Ltd.	Associate Company	Surety given to Company bankers (without any charge)	Market value	11400000		4000000
2	Rajrani Godha	Wife of Director	--do --	Market value	29400000		11000000

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rupees in Thousands)

	2008 Rupees	2007 Rupees
A. CASH FLOW FROM OPERATION ACTIVITIES :-		
Net Profit before tax & extraordinary items	28373	23979
Adjustments for :		
Depreciation	3880	4162
Interest paid	6015	7032
	<u>38268</u>	<u>35173</u>
Adjustments for :		
Write off of over provision	(375)	
Interest/Dividend Received	(850)	(821)
Loss on sale of Assets	Nil	39
Profit on sale of Assets	Nil	(26)
Diminution in the value of Investment	Nil	366
Provision for Deferred Tax Liability/Asset	(183)	195
<i>Operating Profit before working capital changes</i>	<u>36860</u>	<u>34926</u>
Adjustments for :		
Trade & other receivables	24085	(21274)
Inventories	(16801)	(38725)
Trade Payables	(16235)	(3382)
<i>Cash generated from Operation</i>	<u>27909</u>	<u>(28455)</u>
Interest Paid	(6015)	(7032)
Taxes paid	(11496)	860
<i>Net cash used in Operating activities</i>	<u>10398</u>	<u>(34627)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :-		
Purchase of Fixed assets	(2809)	(3899)
Increase in Capital work in Progress	(1353)	(2282)
Sale of Fixed Assets.	Nil	290
Interest & Dividend Received	850	821
<i>Net cash used in Investment activities</i>	<u>(3312)</u>	<u>(5070)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :-		
Increase in Unsecured Advances	1162	30749
Decrease in bank borrowings	119	(15427)
Dividend Paid	(6004)	3899
<i>Net cash used in Finance activities</i>	<u>(4723)</u>	<u>19221</u>
NET DECREASE IN CASH EQUIVALENTS (B+C-A)	<u>2363</u>	<u>(20476)</u>
Cash and Cash Equivalents		
Opening Balance	4824	25410
Closing Balance	<u>7187</u>	<u>4934</u>
	<u>2363</u>	<u>(20476)</u>

() Indicates deductions.

Note: Difference in the opening balance of cash and cash equivalent is due to exchange translation difference.

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.
Chartered Accountants

Sd/-

B.F. Chordia
Proprietor

Place : Mumbai
Dated : 26th June, 2008

For **SHANTIVIJAY JEWELS LTD.**

P.K. GODHA (Chairman & M.D.)

A.K. GODHA (Vice Chairman & M.D.)

Directors

S.S.KASLIWAL

A.R.SHAH

J.B. SHAH

T.A. MAVANI

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 st March, 2008	31 st March, 2008	31 st March, 2008
Date From which they become subsidiary Companies	22 nd May, 1998	24 th January, 2004	15 th 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 Share 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 st March,2008	US\$ (3186/-) (equivalent to Rs.(126161/-))	US \$ 299772/- (equivalent to Rs. 12059828/-)	US \$(681/-) (equivalent to Rs.(27397/-))
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	US\$360642/- (equivalent to Rs.16364527/-)	(US \$600749/-) (equivalent to Rs.(26046030/-))	(US \$Nil) (equivalent to Rs.Nil)
b. Dealt within holding Company's accounts:			
i) for the financial year ended 31 st March, 2008	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.**

P.K. GODHA (Chairman & M.D.)

A.K. GODHA (Vice Chairman & M.D.)

Directors

S.S.KASLIWAL

A.R.SHAH

J.B. SHAH

T.A. MAVANI

Place : Mumbai

Dated : 26th June, 2008

COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31st MARCH, 2008

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 is as under:

Dev Joory	(w.e.f. 13.06.1997)
Couldip Basant Lala	(w.e.f. 13.06.1997)
Bimalchand Godha	(deceased on 30.11.2007)
Pradeep Godha	(w.e.f. 13.06.1997)
Anurag Godha	(w.e.f. 13.06.1997)

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.

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 2008.

For International Financial Services Limited

Secretary

Sd/-

Registered Office:

IFS Court, Twenty Eight, Cybercity,
Ebene, Mauritius

Date: 24 June 2008

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, 2008, the income statement, statement of changes in equity and statement of cash flows for the period from April 1, 2007 to March 31, 2008 and a summary of significant accounting policies and other explanatory notes as set out on page - 11 to 19 (page 46 to 49 of this Annual Report).

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, 2008 and of its financial performance and its cash flows for the year from April 1, 2007 to March 31, 2008, 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.

Sd/-

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

Date: 24th June, 2008

BALANCE SHEET AS AT 31 MARCH, 2008

	Notes	2008		2007	
		USD	RUPEES	USD	RUPEES
ASSETS					
Non-current assets					
Investments	4	150,861	6052543	100,274	4,364,328
Advances to Subsidiary	5	658,810	26431458	719,867	31,227,831
		<u>809,671</u>	<u>32484001</u>	<u>820,141</u>	<u>35,592,159</u>
Current assets					
Deposits and prepayments	6	2,197	88143	2,045	88,712
Cash and cash equivalents	7	4,043	162205	4,093	177,554
		<u>6,240</u>	<u>250348</u>	<u>6,138</u>	<u>266,266</u>
Total assets		<u>815,911</u>	<u>32734349</u>	<u>826,279</u>	<u>35,858,425</u>
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	8	450,250	18064030	450,250	18,826,410
Retained earnings		357,506	14343141	360,642	16,364,527
		<u>807,756</u>	<u>32407171</u>	<u>810,892</u>	<u>35,190,937</u>
Non Current liabilities					
Employee Terminal Benefits		2,344	94041	2,344	101,683
		<u>2,344</u>	<u>94041</u>	<u>2,344</u>	<u>101,683</u>
Current liabilities					
Accruals		5,811	233137	3,690	160,072
Other payables		0	0	9,353	405,733
		<u>5,811</u>	<u>233137</u>	<u>13,043</u>	<u>565,805</u>
Total equity and liabilities		<u>815,911</u>	<u>32734349</u>	<u>826,279</u>	<u>35,858,425</u>

Approved by the Board on 24 June 2008
and signed on its behalf by:

Sd/- Sd/-
Director Director

The notes on pages 11 to 19 form an integral part of these financial statements (pages 48 to 51 of this Annual Report).

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

	2008		2007	
	USD	RUPEES	USD	RUPEES
Income	0	0	0	0
Expenses				
Administration expenses	5,956	239610	3,572	161632
Directors fees	1,848	74345	1,250	56563
Secretarial fees	1,250	50288	1,250	56563
Audit fees	1,635	65776	0	0
FSC Licence fees	1,500	60345	1,500	67875
ROC fees	250	10057	250	11313
Bank charges	50	2011	25	1131
Write off of over provision of expense	(9,353)	(376271)	0	0
	<u>3,136</u>	<u>126161</u>	<u>7,847</u>	<u>355077</u>
Operating loss	<u>(3,136)</u>	<u>(126161)</u>	<u>(7847)</u>	<u>(355077)</u>
Over provision of tax	0	0	348	(15747)
	<u>(3,136)</u>	<u>(126161)</u>	<u>(7,499)</u>	<u>(339330)</u>
Net loss for the year	<u>(3,136)</u>	<u>(126161)</u>	<u>(7,499)</u>	<u>(339330)</u>

The notes on pages 11 to 19 form an integral part of these financial statements (pages 48 to 51 of this Annual Report).

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2008

	Share Capital		Retained Earnings		Total	
	USD	RUPEES	USD	RUPEES	USD	RUPEES
At 1 April 2006	450,250	18,064,030	368,141	14,769,817	818,391	32833847
Net loss for the year	0	0	(7,499)	(300860)	(7,499)	(300860)
At 31 March 2007	450,250	18,064,030	360,642	14,468,957	810,892	32532987
Net loss for the year	0	0	(3,136)	(125816)	(3,136)	(125816)
At 31 March 2008	450,250	18,064,030	357,506	14,343,141	807,756	32407171

The notes on pages 11 to 19 form an integral part of these financial statements (Pages 48 to 51 of this Annual Report).

SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

	2008		2007	
	USD	RUPEES	USD	RUPEES
Cash flow from operating activities				
Net loss for the year	(3,136)	(125,816)	(7,499)	(325,307)
<i>Adjustment</i>				0
Write off of over provision	(9,353)	(375,242)	0	0
<i>Changes in working capital</i>				
Increase in deposits and prepayments	(152)	(6,098)	0	0
Increase in accruals and provisions	2,121	85,095	1635	70,926
Net cash used in operating activities	(10,520)	(422,061)	(5,864)	(254,380)
Cash flow from investing activities				
Investment in subsidiary	(50,587)	(2,029,550)	0	0
Net cash flow used in investing activities	(50,587)	(2,029,550)	0	0
Cash flow from financing activities				
Repayment from Shantivijay Impex FZCO	61,057	2,449,607	22,702	984,813
Advance paid to Shantivijay Impex DMCC	0	0	(16,863)	(731,517)
Net cash flow used in financing activities	61,057	2,449,607	5,839	253,296
Net decrease in cash and cash equivalents	(50)	(2,006)	(25)	(1,085)
Cash and cash equivalents at beginning of year	4,093	164,211	4,118	178,639
Cash and cash equivalents at end of year	4,043	162,205	4,093	177,554

The notes on pages 11 to 19 form an integral part of these financial statements (pages 48 to 51 of this Annual Report).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2008

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").

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 year ended 31 March 2008.

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

(b) 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.

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(c) Expense recognition

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

(d) Financial Instruments

Financial instruments carried on the balance sheet include investments, advance to subsidiary, cash and cash equivalents, 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.

(e) Investments in subsidiary

Subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or currently convertible are considered when assessing whether the Company controls another entity.

Consolidated financial statements have not been presented as the Company is itself a wholly-owned subsidiary of Shantivijay Jewels India. The investments in the subsidiaries are classified at cost. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the income statement. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Consolidated financial statements

The Company owns 100% of the share capital Shantivijay Impex FZCO and Shantivijay Impex DMCC. The Company has the power to govern the financial and operating policies of the subsidiaries and consolidated financial statements need to be prepared to comply with International Accounting Standard (IAS) 27, "Consolidated and Separate Financial Statements".

The ultimate holding company, Shantivijay Jewels Ltd., India, presents the consolidated financial statements under Accounting Standards applicable in India. However, the directors are of the opinion that the preparation of consolidated financial statements for the Company in accordance with IAS 27 would entail significant time costs, which would not serve a meaningful purpose either to the Company or its shareholder. Therefore, consolidated financial statements have not been prepared.

(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) 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.

(h) 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.

(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. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 April 2007. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Company's accounting policies that would affect the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 2	Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
IFRS 3	Business Combinations (Revised 2008)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 23	Borrowing Costs
IAS 27	Consolidated and Separate Financial Statements
IAS 32 and IAS 1	Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Company's financial performance and financial position. The Company will apply IAS 1, Presentation of Financial Statements, as from 01 January 2009.

4. INVESTMENTS

	% Holding	2008		2007	
		USD	RUPEES	USD	RUPEES
Shantivijay Impex FZCO	100%	27,248	1,196,460	27,248	1,196,460
Shantivijay Impex DMCC	100%	123,613	4,959,353	73,026	3,167,868
		<u>150,861</u>	<u>6,052,543</u>	<u>100,274</u>	<u>4,364,328</u>

The Company has 100% shareholdings in the Shantivijay Impex FZCO and Shantivijay DMCC and these companies are considered as subsidiaries since it has the power to govern their financial and operating policy decisions. Consolidated financial statements need to be prepared to comply with International Accounting Standards 27, Consolidated and Separate Financial Statements.

As explained in note 2(e) no consolidated financial statements have been prepared.

5. ADVANCE TO SUBSIDIARY

	2008		2007	
	USD	RUPEES	USD	RUPEES
Amount due from Shantivijay Impex FZCO	658,810	26,431,458	703,004	30,496,314
Amount due from Shantivijay Impex DMCC	–	–	16,863	731,517
	<u>658,810</u>	<u>26,431,458</u>	<u>719,867</u>	<u>31,227,831</u>

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

6. DEPOSITS AND PREPAYMENTS

	2008		2007	
	USD	RUPEES	USD	RUPEES
Licence fees	522	20943	710	30800
Secretarial fees	253	10150	253	10975
Directors fees	405	16249	253	10975
Deposits	829	33259	829	35962
Roc Fees	188	7542	0	0
	<u>2,197</u>	<u>88143</u>	<u>2,045</u>	<u>88712</u>

7. CASH AND CASH EQUIVALENTS

	2008		2007	
	USD	RUPEES	USD	RUPEES
Cash in hand	705	28285	705	30,583
Cash at bank	3,338	133920	3,388	146,971
	<u>4,043</u>	<u>162205</u>	<u>4,093</u>	<u>177,554</u>

8. ISSUED CAPITAL

	2008		2007	
	USD	RUPEES	USD	RUPEES
<i>Authorised</i> 500,000 Ordinary shares of USD 1 each	<u>500,000</u>	<u>20,060,000</u>	<u>500,000</u>	<u>20,905,000</u>
<i>Issued and fully paid:</i> 450,250 Ordinary shares of USD 1 each	<u>450,250</u>	<u>18,064,030</u>	<u>450,250</u>	<u>18,826,410</u>

9. 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 2008, the Company had accumulated tax losses amounting to **USD19,486 (Rs.857,666/-)**(2007: USD16,350 Rs. 731,505/-) and, therefore, no provision for income tax arises for the year. The accumulated tax losses would be carried forward and offset against taxable income as follows:

- up to year ending 31 March 2011 : USD8,503
- up to year ending 31 March 2012 : USD7,847
- up to year ending 31 March 2013 : USD3,136

Tax reconciliation

Reconciliation between the actual income tax rate of 0% (2007 - 0%) and the applicable income tax rate of 15% (2007 - 15%) is as follows:

	2008	2007
(As a percentage of loss before taxation)	%	%
Applicable income tax rate	(15.00)	(15.00)
Impact of :		
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.

10. FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is coordinated by the Administrator in close co-operation with the Board of Directors and focuses on securing the Company's short to medium term cash flows by minimising the exposure to financial risks. The Company's investment is managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the Company is exposed to are described below.

(a) Market risk

(i) Interest Rate risk

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

(ii) Foreign exchange risk

The Company invests in shares denominated in U.A.E Dirhams. Consequently, the Company is exposed to the

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risk that the exchange rate of the United States Dollars (USD) relative to the U.A.E Dirhams may change in a manner which has a material effect on the reported values of the Company's assets which are denominated in U.A.E.

The currency profile of the financial assets and liabilities are as follows:

	2008		2007	
	Financial Assets USD	RUPEES	Financial Assets USD	RUPEES
U.A.E Dirhams	810,376	32512285	820,846	35,622,742
United States Dollars	3,338	133921	3,388	146,971
	<u>813,714</u>	<u>32646206</u>	<u>824,234</u>	<u>35,769,713</u>

	2008		2007	
	Financial Liabilities USD	RUPEES	Financial Liabilities USD	RUPEES
U.A.E Dirhams	0	0	0	0
United States Dollars	5811	233137	13,043	565,805
	<u>5811</u>	<u>233137</u>	<u>13,043</u>	<u>565,805</u>

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The main cash outflows relate to payments of day to day expenses. The cash balance is not sufficient to cater for the day to day running expenses of the Company. The Company therefore relies on the continued financial support of its holding company to meet these obligations in the foreseeable future

Concentration risk

The Company has invested in unlisted companies whose securities are considered to be illiquid. Such illiquidity may adversely affect the ability of the Company to acquire or dispose of such investments. These investments may be difficult to value and to sell or otherwise liquidate and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. On account of the inherent uncertainty of valuation, the estimated values may differ significantly from

the values that would be used had a ready market for the investments existed.

11. 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.

	2008		2007	
	USD	RUPEES	USD	RUPEES
SHANTIVIJAY IMPEX FZCO				
Investment	27,248	1,093,190	27,248	1,196,460
Advances	658,810	26,431,458	703,004	30,496,314
SHANTIVIJAY IMPEX DMCC				
Investment	123,613	4,959,353	73,026	3,167,868
Advances	0	0	16,863	731,517
International Financial Services Limited				
Directors' Remuneration	1,848	74345	1,250	56,563
Administration Fees	5,956	239610	3,572	161633

12. 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.

13. HOLDING AND ULTIMATE HOLDING COMPANY

The Company regards Shantivijay Jewels Ltd as its immediate and ultimate Holding Company.

14. 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, 2008 amounted to USD.299,771. (Rs. 12059828/-)

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 increased by 4.90% amounted to USD 4,045,990/-. (Rs. 162,770,178 /-) as compared to previous year. Gross margin on sales increased to 9.29% as compared to 8.88% in the previous year.

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/-

Pradeepkumar Godha
Director

Date: May 21, 2008

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, 2008, the income statement, statement of changes in equity and statement of cash flows for the period from April 1, 2007 to March 31, 2008 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, 2008 and of its financial performance and its cash flows for the period from April 1, 2007 to March 31, 2008, 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, 2007 to March 31, 2008.

Sd/-

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

Date : May 21, 2008

BALANCE SHEET AS AT MARCH 31, 2008

All figures are expressed in U.S. Dollars

	Note	01.04.2007		01.04.2006	
		to 31.03.2008	to 31.03.2008	to 31.03.2007	to 31.03.2007
		US \$	RUPEES	US \$	RUPEES
Property, Plant and Equipment (Net)	SCH	3,374	135,405	3,554	154,173
Current Assets					
Inventories	3	1,896,683	76,094,922	1,802,526	78,193,578
Trade Receivables	4	1,121,356	44,988,790	1,074,085	46,593,807
Cash and Bank Balances	5	88,143	3,536,297	29,648	12,861,300
Deposits, Advances and Prepayments		24,492	982,619	17,007	7,377,640
Other Receivable	8	681	27,322	0	0
	(A)	3,131,355	125,629,950	2,923,266	126,811,279
Current Liabilities					
Trade Payables	6,8	1,496,223	60,028,473	1,592,751	69,093,558
Advance received from customers		50,497	2,025,940	1,883	8,168,500
Accruals and Provisions		1,431	57,412	1,185	5,140,500
	(B)	1,548,151	62,111,825	1,595,819	69,226,648
Net Current Assets	(A - B)	1,583,204	63,518,125	1,327,447	57,584,631
Net Assets		1,586,578	63,653,530	1,331,001	57,738,804
Shareholders' Equity					
Share Capital	1a	27,248	1,093,190	27,248	1,196,460
Accumulated profits		900,520	36,128,883	600,749	26,046,030
Share holder's loan		658,810	26,431,457	703,004	30,496,314
		1,586,578	63,653,530	1,331,001	57,738,804

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 4 to 15 are approved on May 21, 2008 and signed by

On behalf of the Board

Sd/-

Mr. Pradeepkumar Godha
Director

INCOME STATEMENT**Year ended March 31, 2008**

All figures are expressed in U.S. Dollars

	Note	01.04.2007		01.04.2006	
		to 31.03.2008	to 31.03.2008	to 31.03.2007	to 31.03.2007
		US \$	RUPEES	US \$	RUPEES
Sales		4,045,990	162,770,178	3,856,884	174,524,001
Cost of Sales	7	(3,670,244)	(147,653,916)	(3,514,576)	(159,034,564)
Gross Profit		375,746	15,116,262	342,308	15,489,437
Expenses					
Salaries and Benefits		12,774	513,898	11,608	525,262
Rent		35,467	142,683	24,591	111,274
Depreciation		3,627	145,914	3,239	146,565
Other Administrative Expenses		24,107	969,784	28,794	130,294
Sub- total		(75,975)	(3,056,434)	(68,232)	(3,087,517)
Profit from operations		299,771	12,059,828	274,076	12,401,920
Other Income		-	0	3,385	15,317
Net Profit taken to Accumulated profits		299,771	12,059,828	277,461	12,555,091

These financial statements on pages - 4 to 15 are approved on May 21, 2008 and signed by

On behalf of the Board

Sd/-

Mr. Pradeepkumar Godha
Director

STATEMENT OF CHANGES IN EQUITY**Year Ended March 31, 2008**

	Share Capital		Accumulated (losses)/profits		Shareholder's loan	
	US\$	Rupees	US\$	Rupees	US\$	Rupees
Balance as at 01.04.2006	27,248	1,093,190	323,288	12,970,315	0	0
Transfer from Income Statement	0	0	277,461	11,131,735	0	0
Loan introduced						
Balance as at 31.3.2007	27,248	1,093,190	600,749	24,102,050	703,004	28,204,520
Transfer from Income Statement	0	0	299,771	12,026,813	0	0
Loan withdrawn	0	0	0	0	(441,994)	(1,773,063)
Balance as at 31.3.2008	27,248	1,093,190	900,520	36,128,863	658,810	26,431,457

PROPERTY, PLANT AND EQUIPMENT - SCHEDULE**Year Ended March 31, 2008**

Particulars:	Furnitures, Fixtures & Office Equipments		Total
	US \$	RUPEES	
Rate of Depreciation	25%		
Cost			
As at 01.04.2007	9,083	401,784	
Additions	3,447	127,146	
As at 31.03.2008	12,530	528,930	
Depreciation			
As at 01.04.2007	5,529	247,611	
For the year	3,627	145,914	
As at 31.03.2008	9,156	393,525	
Net Value			
As at 31.03.2008	3,374	135,405	
As at 31.03.2007	3,554	154,173	

CASH FLOW STATEMENT
Year Ended March 31, 2008

All figures are expressed in U.S. Dollars

	Note	01.04.2007- 31.03.2008 US\$	01.04.2007- 31.03.2008 Rupees	01.04.2006- 31.03.2007 US\$	01.04.2006- 31.03.2007 Rupees
Cash Flow from Operating Activities					
Net Profit		299,771	12,026,813	277,461	12,036,258
Adjustments :					
Depreciation		3,627	145,515	3,239	140,508
Operating profit before changes in Operating Assets and Liabilities					
		<u>303,398</u>	<u>12,172,328</u>	<u>280,700</u>	<u>12,176,766</u>
Increase in Inventories		(94,157)	(3,777,579)	(473,677)	(20,548,108)
(Increase) / Decrease in Trade Receivables		(47,271)	(1,896,513)	213,674	9,269,221
Increase in Deposit, advances and prepayments		(7,485)	(300,298)	(2,731)	(118,471)
(Decrease) in Trade Payables		(96,528)	(3,872,703)	(673,980)	(29,237,252)
Increase / (Decrease) in Advance received from cutomers		48,614	1,950,394	(71,893)	(3,118,718)
Increase in Accruals and Provisions		246	9,870	68	2,950
Net Cash Flow from /used in) Operating Activities		<u>106,817</u>	<u>4,285,498</u>	<u>(727,839)</u>	<u>(31,573,613)</u>
Cash Flow from Investing Activities					
Purchase of property, plant and equipment		(3,447)	(138,294)	(2,560)	(111,053)
Increase in other receivables		(681)	(27,322)	0	0
Net Cash used in Investing Activities		<u>(4,128)</u>	<u>(165,616)</u>	<u>(2,560)</u>	<u>(111,053)</u>
Cash Flow from Financing Activities					
(Decrease) / Increase in loan from share holder		(44,194)	(1,773,063)	703,004	30,496,314
Net Cash (used in)/flow from Financing Activities		<u>(44,194)</u>	<u>(1,773,063)</u>	<u>703,004</u>	<u>30,496,314</u>
Increase/(Decrease) in Cash and Cash Equivalents (i + ii + iii)					
Cash and Cash Equivalents as at 01.4.2007	(Note 2j, 5)	29,648	1,189,438	57,042	2,474,482
Cash and Cash Equivalents as at 31.3.2008	(Note 2j, 5)	<u>88,143</u>	<u>3,536,257</u>	<u>29,648</u>	<u>1,286,130</u>
Supplemental Cash Flow Statement Information					
Non-Cash transactions		<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

ACCOUNTING POLICIES AND EXPLANATORY NOTES
Year Ended : March 31, 2008

All figures are expressed in U.S. Dollars

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/- (equivalent to USD 27,248/-) divided into one ordinary shares of AED 100,000/-. The following is the shareholder of the company :

	No. of Shares
ShantiVijay Jewels International Limited, Mauritius	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. Pradeepkumar Godha	
2. Mr. Anurag Godha	
3. Mr. Bimalchand Godha - Director deceased on November 30,2007	

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).

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.

h. Foreign Currencies

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

- Foreign currency balances are converted into U.S. Dollars at the rate of exchange ruling at the Balance Sheet date.
- 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.

	2007-08		2006-07	
	USD	Rs.	USD	Rs.
3. Inventories				
Diamond Jewellery	1,896,683	76,094,922	1,802,526	78,193,578
4. Trade Receivables				
Trade Debtors	1,121,356	44,988,790	1,074,085	46,593,807
5. Cash and Bank Balances				
Cash on hand	5	201	140	6,073
Balances with Bank in :				
- Current Account	88,138	3,536,096	29,508	1,280,057
	88,143	3,536,297	29,648	1,286,130
6. Trade Payables				
Trade Creditors	1,496,223	60,028,473	1,592,751	69,093,558
7. Cost of Sales				
Inventory as at 01.04.2007	1,802,526	78,193,578	1,328,849	59,293,242
Purchases and Direct Expenses	3,764,401	145,555,260	3,988,253	177,934,900
Inventory as at 31.3.2008	(1,896,683)	(76,094,922)	(1,802,526)	(78,193,578)
	3,670,244	147,653,916	3,514,576	159,034,564

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
- Shantivijay Impex DMCC, U.A.E-Under Incorporation.

Contd...

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

i. Shantivijay Jewels Ltd.- Mumbai, India.

Purchases	660,365	26,451,959	1,112,490	50,633,734
Sales	261,604	11,399,400	98,696	4,627,313
Trade Payables	440,275	17,663,833	251,465	10,908,552

ii. Shantivijay Jewels International Limited, Port louis, Mauritius.

Shareholder's loan	658,810	26,431,457	703,004	30,496,314
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iii. Shantivijay Impex DMCC, U.A.E. (under incorporation)

Other Receivables	681	27,322	0	0
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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.

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

b. As at March 31, 2008, top five trade receivable represents 80.12% of the total trade receivable outstanding. (As at 31.3.2007 - 88.8 %)

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

Country	As at 31.03.2008	As at 31.03.2007
Spain	30.33	7.57
U.A.E	14.26	20.67
Saudi Arabia	10.31	18.81
Japan	19.19	27.67
UK	18.08	18.24
Other	7.83	7.04
	<u>100.00</u>	<u>100.00</u>

ii. Interest Rate Risk

Since there is no third party borrowing, company is not exposed to any interest rate risk. Loan from shareholder is interest free.

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, 2008	<u>1</u>	<u>1</u>
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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.

14. 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.

Year Ended : March 31, 2008

All figures are expressed in U.S. Dollars

1. Financial Information

• **Significant Values and Ratios :**

Ratios	1.4.2007 to 31.3.2008	1.4.2006 to 31.3.2007
Gross Profit (%)	9.29	8.88
Net Profit (%)	7.41	7.19
Current Ratio	2.02	1.83
Debtors collection (Days)	101	102
Inventories holding period (Days)	189	187
Return on Average Investment (%)	21	33

• **Name of Bankers**

Standard Chartered Bank, Dubai, U.A.E.

• **Accounting Software**

The company is using Tally 7.2 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 year ended March 31, 2008.

Results and Dividends

There is no operations in the company During the year.

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.

Sd/-

Authorised Signatory

Date: May 14, 2008

Independent Auditor's Report to the Shareholder of Shantivijay Impex DMCC (Under Incorporation)

We have audited the accompanying financial statements of SHANTIVIJAY IMPEX DMCC, which comprise the balance sheet as at March 31, 2008, the income statement, statement of changes in equity and statement of cash flows for the year from April 1, 2007 to March 31, 2008 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 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, 2008 and of its financial performance and its cash flows for the year from April 1, 2007 to March 31, 2008, 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 year from April 1, 2007 to Mach 31, 2008.

Sd/-

Chartered Accountants

Dubai, United Arab Emirates

Date : May 14, 2008.

BALANCE SHEET AS AT MARCH 31, 2008

All figures are expressed in U.S. Dollars.

		31.03.2008		31.03.2007	
		US \$	RUPEES	US \$	RUPEES
Capital work in progress	3	123,613	4,959,354	89,889	3,899,385
Current Assets		0	0	0	0
Current Liabilities					
Other payable	4	681	27,322	0	0
Net Current Assets	(A - B)	(681)	(27,322)	0	0
Net Assets		122,932	4,932,032	89,889	3,899,385
Financed by					
Share Capital	1a	0	0	0	0
Accumulated loss		(681)	(27,322)	0	0
Shareholder's Account	4	123,613	4,959,354	89,889	3,899,385
		122,932	4,932,032	89,889	3,899,385

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 4 to 10 are approved on May 14, 2008 and signed by

Sd/-

Authorised Signatory

Date: May 14, 2008

INCOME STATEMENT**Year ended : March 31, 2008**

All figures are expressed in U.S. Dollars.

	US \$	RUPEES	US \$	RUPEES
	0	0	0	0
	0	0	0	0
	0	0	0	0
Expenses				
Other Administrative Expenses	681	27,397	0	0
Total Expenses	(681)	(27,397)	0	0
Net Loss for the year taken to accumulated losses	(681)	(27,397)	0	0

These financial statements on pages - 4 to 10 are approved on May 14, 2008 and signed by

Sd/-

Authorised Signatory

Date : May 14, 2008.

STATEMENT OF CHANGES IN EQUITY
Year ended : March 31, 2008

All figures are expressed in U.S. Dollars.

	Share Capital		Shareholder's Loan Account		Accumulated Loss	
	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Balance as at Beginning of the Period	0	0	0	0	0	0
Funds introduced (Net)	0	89,889	3,606,347	0	0	0
Transfer from Income Statement	0	0	0	0	0	0
Balance as at 31.03.2007	0	89,889	3,606,347	0	0	0
Funds introduced (Net)	0	33,724	1,353,007	0	0	0
Transfer from Income Statement	0	0	0	(681)	(27,322)	
Balance as at 31.03.2008	0	123,613	4,959,354	(681)	(27,322)	

CASH FLOW STATEMENT
Year ended : March 31, 2008

All figures are expressed in U.S. Dollars.

	31.03.2008		31.03.2007	
	US \$	RUPEES	US \$	RUPEES
I. Cash Flow from Operating Activities				
Net Loss	(681)	(27,322)	0	0
Adjustments :				
Depreciation	0	0	0	0
Operating Cash loss before changes in Operating Assets and Liabilities	(681)	(27,322)	0	0
Net Cash used in Operating Activities	(681)	(27,322)	0	0
II. Cash Flow from Investing Activities				
Increase in Capital work in progress	(33,724)	(1,353,007)	(89,889)	(3,899,385)
Net Cash used in Investing Activities	(33,724)	(1,353,007)	(89,889)	(3,899,385)
III. Cash Flow from Financing Activities				
Loan introduced (net)	33,724	1,353,007	89,889	3,899,385
Increase in other payable	681	27,322	0	0
Net Cash flow from Financing Activities	34,405	1,380,329	89,889	3,899,385
Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents as at 01.04.2007 (Note 2d)	0	0	0	0
Cash and Cash Equivalents as at 31.03.2008 (Note 2d)	0	0	0	0
Supplemental Cash Flow Statement Information				
Non-Cash transactions	Nil	Nil	Nil	Nil

Accounting Policies and Explanatory Notes
Explanatory Notes
Year ended : March 31, 2008

All figures are expressed in U.S. Dollars.

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

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

3. Capital Work in Progress

	US \$	RUPEES	US \$	RUPEES
Balance as at 01.04.2007	89,889	3,606,347	0	0
Addition during the year	33,724	1,353,017	89,889	3,899,385
Balance as at 31.03.2008	123,613	4,959,364	89,889	3,899,385

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 are as under:

Shantivijay Jewels International Ltd., Mauritius. - Parent Company

Shantivijay Impex FZCO, U.A.E.-under the same management

The summary of transactions entered into during the year and balances with related parties as at March 31, 2008 are as under:

i. Shantivijay Jewels International Ltd., Mauritius.

Shareholder's Account	123,613	4,959,354	89,889	3,899,385
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ii. Shantivijay Impex FZCO, U.A.E.

Other payable	681	27,322	0	0
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5. Capital Commitments

Gross Value	140,518	5,637,582	140,518	6,095,671
Less : Paid	(123,613)	(4,959,364)	(89,889)	(3,899,385)
Net Capital Commitment	16,905	678,219	50,629	2,196,286

Note : The company has entered in to an agreement with Dubai Multi Commodities Centre for USD. 140,518/- for purchase of one unit at AU Tower.

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

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

8. Critical Accounting Estimates and Judgement

Estimates and judgment 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 the 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 FIFTH ANNUAL GENERAL MEETING 30TH AUGUST, 2008

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 FIFTH ANNUAL GENERAL MEETING of the Company being held at G-37, Gem & Jewellery Complex, Bldg. No. III, SEEPZ, Andheri (E), Mumbai-400 096 on Saturday, 30th August, 2008 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 FIFTH ANNUAL GENERAL MEETING 30TH AUGUST, 2008

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 FIFTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, 30th 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:
SHANTIVIJAYJEWELSLIMITED
G-37, Gem & Jewellery Complex,
Bldg. No. III, SEEPZ, Andheri (E),
Mumbai-400 096