

SHANTIVIJAY JEWELS LTD.



ANNUAL REPORT 2009-2010



SHANTIVIJAY JEWELS LIMITED

BOARD OF DIRECTORS

PRADEEP KUMAR GODHA
(Chairman & Managing Director)

ANURAG GODHA
(Vice Chairman & Managing Director)

JEFFREY K. STERN
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.

ADMINISTRATIVE OFFICE

L-1, Trident 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 37th Annual General Meeting of the Members of SHANTIVIJAY JEWELS LIMITED will be held at G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096 on **Tuesday, 10th August, 2010 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, 2010 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 Mr. Jeffrey K. Stern, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Tushar Mavani, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint 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 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 (SEBI) (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the “ICDR Regulations”) and any other applicable law or laws, rules, regulations, guidelines, schemes and clarifications (including any amendments thereto or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum of Association and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange where the equity shares of the Company are listed and subject to such approvals, permissions, consents and sanctions as may be necessary of Government of India (“GOI”), Reserve Bank of India (“RBI”), Securities and Exchange Board of India (“SEBI”), Registrar of Companies (“ROC”) and all other appropriate authorities, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “Board”) which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent and approval of the Company be and is hereby accorded to the Board to issue, in the course of domestic/follow on/international offerings or qualified institutional placement to Domestic/Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Qualified Institutional Buyers within the meaning of ICDR Regulations, 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 ICDR Regulations, 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 ICDR Regulations, 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, 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 ICDR Regulations, 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 Rules, Regulations and Guidelines is 11th July, 2010 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 KUMAR GODHA
CHAIRMAN & MANAGING DIRECTOR

Registered Office:

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

Dated : 30th June, 2010

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 **Thursday, 5th August, 2010 to Tuesday, 10th August, 2010** (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.

Our Registrar & Transfer Agent M/s. Bigshare Services Private Limited recently launched Gen-Next Investor Module i'Boss the most advanced tool to interact with shareholders. Please login into i'Boss (www.bigshareonline.com) and help us to serve you better.

- (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.

5. Brief resumes of Directors seeking re-election /re-appointment are as under:

Name of the Director	Mr. Jeffrey K. Stern	Shri. Tushar Mavani
Age	59 years	41 years
Date of Appointment	28.12.1994	30.06.2006
Qualification	He is a reputed businessman in jewellery in USA.	B.Com., L.L.B.
Expertise and experience in specific functional areas	He has vast experience in business administration and jewellery marketing. With his long association, the Company has been able to establish market for its product in USA.	Mr. Tushar Mavani is partner of M/s. Amarchand & Mangaldas & Suresh A. Shroff & Co., Advocates & Solicitors and has been in practice since 1991.
Chairmanship/ Directorship held in other public companies (excluding foreign) Companies	Director in : Stern International Limited, USA.	Director in : Kotak Mahindra Trusteeship Services Limited
Membership/Chairmanships of committees across public companies	Nil	Member in : Shareholders Grievances & Remuneration Committee of the Company

EXPLANATORY STATEMENT

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

Item No. 5

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. 5 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 KUMAR GODHA
CHAIRMAN & MANAGING DIRECTOR

Registered Office:

G-37, Gem & Jewellery Complex,
Building No.III, SEEPZ, Andheri(East),
Mumbai 400 096.
Dated: 30th June, 2010

DIRECTORS' REPORT

TO THE MEMBERS OF SHANTIVIJAY JEWELS LIMITED

Your Directors present their 37th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2010

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	Stand alone for the Company		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Sales & Operating Income	4672.39	5474.78	6119.37	7233.95
Other Income	54.83	53.39	55.95	53.39
Total Income	4727.22	5528.17	6175.32	7287.34
Less : Operating costs	4728.88	5215.68	6068.08	6897.46
Depreciation	32.73	35.25	33.22	35.64
Operating Profit/(Loss)	(34.39)	277.24	74.02	354.24
Less : Interest	22.74	72.52	22.74	72.52
Extra-ordinary Items	—	—	—	—
Profit/(Loss) Before Tax	(57.13)	204.72	51.28	281.72
Less Provision for Taxation				
– Earlier Years	44.61	74.01	44.61	74.01
– Fringe Benefit Tax	—	2.04	—	2.04
– Deferred	(1.38)	(1.70)	(1.38)	(1.70)
Profit After Tax	(100.36)	130.37	8.05	207.37
Add : Surplus brought forward	451.86	321.49	1049.54	842.17
Profit available for appropriation	351.50	451.86	1057.59	1049.54
Appropriations :				
Transferred to General Reserve	—	—	—	—
Proposed Dividend	—	—	—	—
Tax on Dividend	—	—	—	—
Balance carried to Balance Sheet	351.50	451.86	1057.59	1049.54
Earning Per Share	(3.34)	4.34	0.27	6.91

DIVIDEND

In view of loss made during the year, your Directors have not recommended any dividend for the year under review.

OPERATIONS

During the year under review, Sales & Operating Income was Rs.4672.39 lakhs as against Rs. 5474.78 lakhs in the previous year. Consolidated Sales & operating Income have also been lower. Operating Loss has been Rs.34.39 lakhs as against Operating Profit of Rs. 277.24 lakhs in the previous year. Net Loss has been Rs.100.36 lakhs as against Net Profit of Rs. 130.37 lakhs in the previous year. The Company has incurred loss mainly on account of lower volumes due to adverse global factors, loss on account foreign currency rate fluctuations and increased raw material costs which in turn also affected margins. The Company has been able to contain loss by stringent controlled costs model and lower interest cost.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts of Shantivijay 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, 2010 are annexed.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jeffrey K. Stern and Shri. Tushar Mavani retires by rotation and, being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

DISCLOSURE OF PARTICULARS

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That in the preparation of the annual accounts for the Year ended March 31, 2010 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.

COMPLIANCE CERTIFICATE

Compliance Certificate as required under Section 383A of the Companies Act, 2956 is attached hereto.

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 KUMAR GODHA
CHAIRMAN & MANAGING DIRECTOR**

Place : Mumbai
Dated: 30th June, 2010

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)

	2009-10	2008-09
Foreign Exchange earned	4559.74	5133.04
Foreign Exchange used :		
CIF value of Imports :		
- Raw materials	458.74	226.34
- Stores & consumable including spares	13.97	19.24
- Finished Goods	129.60	189.23
Expenditure in foreign currency :		
- Travelling expenses	7.92	14.00
- Exhibition expenses & advance	11.82	10.91
- Bank Charges	0.65	0.91
- Membership & Subscription	0.00	0.04
- Sales Commission	19.17	19.64
	641.86	480.31

FOR AND ON BEHALF OF THE BOARD

**Sd/-
PRADEEP KUMAR GODHA
CHAIRMAN & MANAGING DIRECTOR**

Place : Mumbai
Dated : 30th June, 2010

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.

(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 2009-10, four Audit Committee meetings were held on 27.06.2009, 28.07.2009, 29.10.2009 and 30.01.2010. 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. Apurva Shah	Independent	Chartered Accountant	3
Shri. J. B. Shah	Independent	Business	4

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 Pradeep Kumar Godha	Chairman & Managing Director	Nil	Nil	1	5	Yes
Shri Anurag Godha	Vice- Chairman & Managing Director	Nil	Nil	1	4	No
Shri. Shambhukumar Kasliwal	Independent	3	1	Nil	3	No
Shri Apurva R. Shah	Independent	6	1	5	4	Yes
Shri. Jayant B. Shah	Independent	Nil	Nil	1	4	No
Shri. Tushar Mavani	Independent	1	1	Nil	4	No
Mr. Jeffrey K. Stern	Non-Executive	Nil	Nil	Nil	Nil	No

* excludes directorships held in private limited and overseas companies.

** includes Audit Committee & Shareholders' Grievance Committee only.

Board meetings : During the year 2009-10, five meetings were held on 23.05.2009, 27.06.2009, 28.07.2009, 29.10.2009 and 30.01.2010. The last Annual General Meeting (AGM) was held on 21.08.2009.

(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 2009-10, no Committee meeting was held since only two complaints were received and resolved in the year. The composition of the Shareholders' Grievance Committee and other relevant details are given below :

Name of Director	Category
Shri. Tushar Mavani, Chairman	Independent
Shri. Pradeep Kumar Godha	Executive
Shri. Anurag Godha	Executive

Shareholders' Complaints : Complaint received and resolved during the year was 2(Two). No complaints were pending at the beginning or end of the financial year.

Number of pending share transfers as on 31.03.2010 was NIL. No request for dematerialisation was pending for approval as on 31.03.2010.

Name & Designation of Compliance Officer :

Shri. Pradeep Kumar Godha, Chairman and Managing Director.

(5) Remuneration of Directors

The Remuneration payable to the Directors is considered and approved by the Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 1956, having due regard to the relevant factors. Non-executive Directors are paid Sitting fees at the rate of Rs.5000/- for each of the meetings of the Board or Committee thereof attended by them. The details of remuneration paid / payable to each Director for the year ended 31.03.2010 are as under:

(Figures in Rs.)

Name of Director(s)	Inter se Relation	Sitting Fees	Salary	Perquisites/ Allowances	Total
Shri Pradeep Godha	Brother of Anurag Godha	Nil	21,00,000	1,37,938	22,37,938
Shri Anurag Godha	Brother of Pradeep Godha	Nil	21,00,000	1,79,583	22,79,583
Shri. Shambhukumar S. Kasliwal	Nil	30,000	Nil	Nil	30,000
Shri Apurva R. Shah	Nil	35,000	Nil	Nil	35,000
Shri. Jayant B. Shah	Nil	40,000	Nil	Nil	40,000
Shri. Tushar Mavani	Nil	20,000	Nil	Nil	20,000
Mr. Jeffrey K. Stern	Nil	Nil	Nil	Nil	Nil

All executive Directors are reappointed under contracts each for a period of three year with effect from 01.09.2008 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
2007	Tuesday, 28.08.2007 at 10.00 a.m.	G-37, Gem & Jewellery Complex, Building No. III, SEEPZ, Andheri (East), Mumbai 400 096	- Approval for issue of further shares/securities u/s 81(1A) - Approval to hold office of profit u/s 314(1)
2008	Saturday, 30.08.2008 at 10.00 a.m.	-Do-	- Approval of reappointment of Shri Pradeep Godha as Managing Director for three years w.e.f. 01.09.2008 - Approval of reappointment of Shri Anurag Godha as Managing Director for three years w.e.f. 01.09.2008 - Approval for issue of further shares/securities u/s 81(1A)
2009	Friday, 21.08.2009 at 3.00 p.m.	-Do-	- Approval for issue of further shares/securities u/s 81(1A)

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).

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

(9) General Shareholders Information

1. 37th Annual General Meeting – Day, Date, Time and Venue

Day	Date	Time	Venue
Tuesday	10-08-2010	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)	05-08-2010 to 10-08-2010 (both days inclusive)

3. Listing & Liquidity on Stock Exchanges: Bombay Stock Exchange Limited
Stock Code : 530989 (included under S category)

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

Dematerialisation status : Equity Shares of the Company are traded compulsorily in dematerialized form and available for trading in the depository systems of both NSDL and CDSL. Security Code No. with NSDL and CDSL is - ISIN INE 656D01015. As on 31st March, 2010, 24,24,081 Equity Shares representing 80.75% 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 Kumar Godha,
Chairman & Managing Director
G-37, Gem & Jewellery Complex,
Building No. III, SEEPZ,
Andheri (East), Mumbai 400 096
Tel.: 28292749 /28290006
E-mail :
shantivijay@shantivijay.com

In accordance with the Clause 47(f) of the Listing agreement, the Company has created a specific investor grievance e-mail ID : **investors@shantivijay.com**

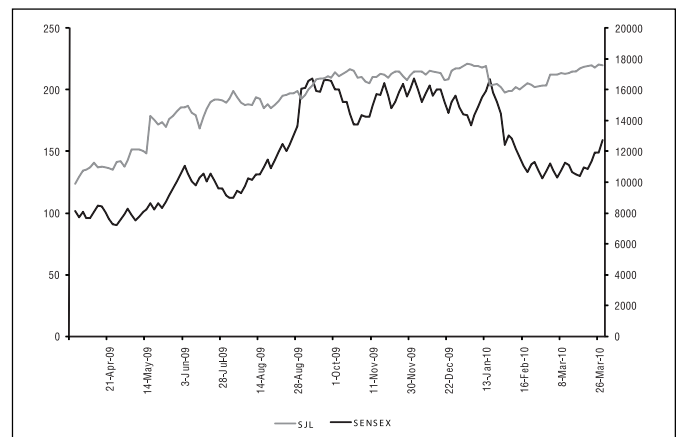
6. Share Transfer System :

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

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

7. Market Price Data:

Month	Bombay Stock Exchange		
	High(Rs.)	Low(Rs.)	Volume
April 2009	110.55	90.00	2142
May 2009	119.50	90.15	1089
June 2009	138.05	122.55	619
July 2009	132.00	107.25	1147
August 2009	179.00	105.05	7871
September 2009	211.05	180.00	1305
October 2009	200.00	163.05	285
November 2009	211.50	169.15	1173
December 2009	218.00	172.05	550
January 2010	208.20	163.00	258
February 2010	190.00	124.00	1048
March 2010	158.75	125.05	3454



SHANTIVIJAY JEWELS LIMITED

8. Shareholding Pattern as on 31.03.2010

Category	No. of Shares	%
Promoters – Indian	2794846	93.10
Non-promoters :		
Bodies Corporate	4144	0.14
NRIs/OCBs	815	0.02
Public	142595	4.75
Foreign National	59600	1.99
Total	3002000	100.00

Distribution of Shareholding as on 31.03.2010

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
1-500	561	89.19	55699	1.86
501-1000	27	4.29	20262	0.67
1001-2000	16	2.54	23103	0.77
2001-3000	2	0.32	5435	0.18
3001-4000	4	0.64	14364	0.48
4001-5000	1	0.16	4441	0.15
5001-10000	3	0.48	24250	0.81
10001-99999999	15	2.38	2854446	95.08
TOTAL	629	100.00	3002000	100.00

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, 2010 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

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

10. Outstanding Convertible Instruments

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

11. CEO/CFO Certification

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Shri. Pradeep Kumar Godha Chairman & Managing Director (CEO) and Shri. Anurag Godha, Vice Chairman & Managing Director (CFO) was placed at the meeting of the Board of Directors held on 26.05.2010.

Non-Mandatory Requirements

Remuneration Committee

The Remuneration Committee comprised of Shri. Shambhukumar Kasliwal, Chairman of the Committee, Shri. Tushar Mavani, Shri. Apurva Shah and Shri. Jayant Shah all of which are independent Directors. No Remuneration Committee meeting was held during the year 2009-10. Terms of Reference of this Committee include mandate to review and recommend/approve remuneration payable to the Managerial Personnel.

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

Place: Mumbai.
Date: May 26, 2010.

Sd/-
(B.F. Chordia)
Proprietor

Compliance Certificate

To,
The Members of
SHANTIVIJAY JEWELS LIMITED
G-37, gem & Jewellery Comple – III,
Seepz, Andheri(East),
Mumbai 400 096

I/We have examined the registers, records, books and papers of SHANTIVIJAY JEWELS LIMITED ("the Company") as required to be maintained under the Companies Act, 1956, ("the Act") and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2010. In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the company, its officers and agents, I/we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company, being a public limited Company, no comments are required on compliance of conditions of a private company.
4. The Board of Directors duly met 5(five) times respectively on 23.05.2009, 27.06.2009, 28.07.2009, 29.10.2009 and 30.01.2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolution was passed during the financial year.
5. The Company closed its Register of Members from 18.08.2009 to 21.08.2009 and necessary compliance of Section 154 of the Act has been made. The Company has not issued any Debentures.
6. The annual general meeting for the financial year ended on 31st March, 2009 was duly held on 21st August, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the financial year.
8. The Company has not advanced loan to its directors and/or persons or firms or companies referred in the section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries the register maintained under Section 301 of the Act.
11. The Company has obtained necessary approval from the members pursuant to Section 314 of the Act wherever applicable. The Company was not required to obtain any approvals from the Board of Directors or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company has:
 - (i) delivered all the certificates on lodgment thereof for transfer /transmission or any other purpose in accordance with the provisions of the Act. No allotment of securities was made during the financial year.
 - (ii) not deposited any amount in a separate Bank Account as no dividend was declared during the year.
 - (iii) The Company was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
 - (iv) Since there was no unpaid dividend, application money due for refund, matured deposits, matured debentures or interest accrued thereon due for transfer to Investor Education and Protection Fund, no comments are required on transfer of such amounts.
 - (v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of directors, additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. There was no fresh appointment of Managing or Wholetime Directors during the financial year hence no comments warranted on relevant compliances.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrars or such other authorities as may be prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares/debentures and hence no comments on redemption are required.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has complied with the provisions of Section 58A read with Companies (Acceptance of Deposits) Rules, 1975 in respect of interest free deposits/unsecured loans taken, amounting to outstanding Rs.11.62 lakhs as on 31.03.2010 lying with the Company during the financial year and the Company has filed the copies of Statements in lieu of advertisement as required with the Registrar of Companies, Maharashtra on 01.09.2008 and 22.08.2009. The Company has also duly filed Return of Deposits with the Registrar of Companies. Section 58AA did not apply to the Company.
24. The Company has not made any borrowings from public, financial institutions during the financial year ended 31st March, 2010. The amount borrowed by the Company from Directors/members and/or banks are within the borrowing limits of the Company and that necessary resolution as per section 293(1)(d) of the Act has been passed in duly convened General Meeting in the past.

SHANTIVIJAY JEWELS LIMITED

25. The Company has made investments in or given loans to other bodies corporate in compliance with the provisions of the Act, wherever applicable, and has made necessary entries in the Register kept for the purpose. The Company has not given guarantees or provided securities to other bodies corporate during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the financial year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the financial year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the financial year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the financial year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. No prosecution was initiated against or show cause notices received by the Company for alleged offences under the Act and no fines and penalties or any other punishment imposed on the Company during the financial year for any offences under the Act.
32. The Company has not received any money as security from its employees during the year under certification.
33. Section 418 does not apply to the Company as the Company has not constituted any separate/recognized Provident Fund for its employees and hence no comments are required.

For SUNIL M. DEDHIA & CO.
Company Secretaries

Sd/-

Sunil M. Dedhia

Proprietor

C. P. No. 2031

Place: Mumbai

Date: 26th May, 2010

Annexure "A" annexed to and forming part of Compliance Certificate dated 26th May, 2010

REGISTERS AS MAINTAINED BY SHANTIVIJAY JEWELS LIMITED

1. Register of Members and Index of Members u/s 150 and 151
2. Registers and Returns u/s 163
3. Minutes Books u/s 193
4. Books of Accounts u/s 209
5. Register of Share Transfers
6. Register of Directors and Managing Directors u/s 303
7. Register of Directors Shareholdings u/s 307

8. Register of Contracts/Disclosures u/s 301
9. Register of Fixed Assets
10. Register of Deposits u/s 58A
11. Register of Investment/Loans u/s 372A

For SUNIL M. DEDHIA & CO.
Company Secretaries

Sd/-

Sunil M. Dedhia

Proprietor

C. P. No. 2031

Place: Mumbai

Date: 26th May, 2010

Annexure "B" annexed to and forming part of Compliance Certificate dated 26th May, 2010

Forms and Returns as filed by SHANTIVIJAY JEWELS LIMITED with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2010.

Sr. No	Form No/ Return	Filed Under Section	For	Date of Filing	Whether Filed Within Prescribed Time Yes/No	If Delay In Filing Whether Requisite Additional Fees Paid Yes/No
1	Form 62	58A	Return of Deposit as on 31.03.2009	23.06.2009	Yes	N.A.
2	Form 62	58A	Filing of Statement in lieu of Advertisement	22.08.2009	Yes	N.A.
3	Form 23	192	Special resolutions passed at AGM dated 21.08.2009 for consent for issue of further shares u/s 81(1A)	28.08.2009	Yes	N.A.
4	Form 23AC and 23ACA	220	For Balance Sheet As at 31.03.2009	07.09.2009	Yes	N.A.
5	Form 66	383A	Compliance Certificate for the financial year ended 31.03.2009	07.09.2009	Yes	N.A.
6	Form 20B	159	For Annual Return as on 21.08.2009	18.09.2009	Yes	N.A.
7	Form 8	135	Modification of charge on 24.12.2009 created in favour of the banker for enhancement of the credit facilities	06.02.2010	No	Yes

For SUNIL M. DEDHIA & CO.
Company Secretaries

Sd/-

Sunil M. Dedhia

Proprietor

C. P. No. 2031

Place : Mumbai

Date : 26th May, 2010

Management Discussion and Analysis Report

Economic Overview

Indian Economic growth slowed due to poor monsoon rains affecting agriculture, but industrial activity continued to advance at a healthy pace. All consumer inflation indicators are now running high in double digit. The Union Budget for 2010-2011 has paved the way for the pullout of fiscal stimulus and fiscal consolidation in the medium-long term after the slippage and stimulus of the last 2 years. The Reserve Bank of India continued to tighten monetary policy. While exports are rebounding, in parts due to weak base effects, imports are rising are rising at a much faster pace. Despite the uncertain outlook for developed economies, further monetary tightening in the pipeline and the beginning of pullout of fiscal stimulus, real GDP growth in India will accelerate this year and next. Investment and industrial activity, which is more oriented towards the domestic market, will sustain growth, while consumer sentiment will be dampened by high inflation. With political stability hopes continue for economic reforms, with the move towards gradual liberalization and deregulation is expected to continue. While sustained annual double-digits growth remains a few years away, a return to the 8-9% growth rates seen.

Industry Structure and Developments

India has several well recognized strengths which have made it a significant force in the global Gems and Jewellery business like Highly skilled, yet low-cost labor, established manufacturing excellence in jewellery and diamond polishing, most technologically advanced diamond cutting center in the world, one of the world's largest and fastest-growing Gems and Jewellery markets.

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. 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.

The Indian Gem and Jewellery industry has been affected due to global recession. However, India is 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 increased in the domestic market during the last few years, though they still represent very marginal per cent of the total diamond jewellery market.

Financial and Operational Performance

The Company has made Sales of Rs.4672.39 lakhs as compared to Rs. 5474.78 lakhs in the previous year. Consolidated Sales have been Rs.6119.37 lakhs as against Rs. 7233.94 lakhs in the previous year. There has been Operating Loss of Rs.34.39 lakhs as against Operating Profit of Rs. 277.24 lakhs in the previous year. Net Loss has been Rs.100.36 lakhs as against Net profit of Rs. 130.37 lakhs in the previous year. The Company has incurred loss mainly on account of lower volumes due to adverse global factors, loss on account of foreign currency rate fluctuations and increased raw material costs which in turn also affected margins. The Company has been able to contain loss by stringent controlled costs model and lower interest cost.

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.	1849.71
EUROPE	1414.04
MIDDLE EAST	733.40
OTHERS	572.26
LOCAL SALES	150.81
Total	<u>4720.22</u>

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 affect the profit margins. However, the Company thrives on improved production efficiency and stringent overheads costs control 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. Global slow down,

rising Gold prices, rising inflation and interest rates are impacting finance cost, volumes and profitability of the Company.

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 expects to improve performance by better marketing efforts, better designs bank, exploring newer markets and 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, 2010 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, 2010 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, 2010;
 - (ii) In the case of the Profit and Loss Account of the loss 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 May 2010

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) During the year Company had not taken any fresh loans from such parties, maximum amount involved and year end balance of loans taken from such parties was Rs. 11.62 lacs.

- iii) Loans 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. During the year company have not accepted any fresh deposits from the public old deposits 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, ServiceTax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were

outstanding as at 31st March, 2010 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.127.86 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. in Lacs)
1	Indian Income Tax Act 1961.	Penalty A.Y.1999-2000	ITAT	12.32
		Penalty A.Y 2000-2001	ITAT	31.94
		Penalty A.Y 2003-2004	CIT (Appeals)	53.92
		Income Tax A.Y 2005-2006	CIT (Appeals)	24.32
2	Bombay Sales Tax Act.	Sales Tax 1991-1992	Asst. Commissioner of Sales Tax Appeals	0.85
3	Customs excise & Service Tax Act	Custom Duty	Custom & Service tax Appellate Tribunal	4.51

10. The Company do not have accumulated losses and there was no cash losses in the immediately preceding years . During the year under report Company has incurred cash loss (inclusive of loss on exchange fluctuation).
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 except purchase of some shares , proper records where of have been maintained, timely entries have been made and investment is held in its own name.
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
Date: 26th May ,2010

BALANCE SHEET AS ON 31ST MARCH, 2010

	SCHEDULES	As at 31.03.2010 (Rupees)	As at 31.03.2009 (Rupees)
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	210987364	221023757
LOANS FUNDS			
Secured Loans	C	128213624	119612114
Unsecured Loan		1162350	1162350
TOTAL		370383338	371818221
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	D	63784868	62985119
Less : Depreciation		41929309	39769091
INVESTMENTS	E	21855559	23216028
		29707706	19185385
DEFERRED TAX ASSET		2728000	2590000
CURRENT ASSETS LOANS & ADVANCES			
Inventories	F	151075641	138941071
Debtors		136295450	113768614
Cash & Bank Balances		2113514	27011050
Loans & advances		50809790	54775343
		340294395	334496078
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	G	23924234	7030954
Provisions		278088	638316
NET CURRENT ASSETS		316092073	326826808
TOTAL		370383338	371818221
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 May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)

Sd/-
A. K. GODHA (Vice Chairman & M.D)

Sd/-
Directors
S. S. KASLIWAL
A. R. SHAH
J. B. SHAH
T. A. MAVANI

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULES	31.03.2010 (Rupees)	31.03.2009 (Rupees)
INCOME			
Sales & Operating Income	H	467238689	547478664
Other income	I	5483448	5338800
TOTAL		<u>472722137</u>	<u>552817464</u>
EXPENDITURE			
Materials	J	423511845	446229298
Increase/Decrease in the Stock	K	(9112549)	15126507
Manufacturing /Administrative/ Selling & Distribution expenses	L	58477854	60212353
Interest (Net)	M	2273668	7252312
Depreciation		3272662	3524768
Loss on sale of Asset		12312	0
TOTAL		<u>478435792</u>	<u>532345238</u>
Net Loss for the Year (Before Taxation)		(5713655)	20472226
Add : Deferred Tax Asset		138000	170000
Less : Provision for Taxation (for earlier years)		4460738	7400825
Less : Provision for Fringe benefit Tax		0	203694
Add : Profit Brought/Forward		45186585	32148878
Profit Carried to Balance Sheet		35150192	45186585
Earning per share (Basic) (Equity Share of Rs.10/- each)		(3.34)	4.34
NOTES TO THE ACCOUNTS	N		
() Indicates Deduction			

AS PER ATTACHED REPORT

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

Place : Mumbai
Dated : 26th May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)
Sd/-
A. K. GODHA (Vice Chairman & M.D)
Sd/-
Directors
S. S. KASLIWAL
A. R. SHAH
J. B. SHAH
T. A. MAVANI

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

SCHEDULE 'A'	31.03.2010	31.03.2009
SHARE CAPITAL	(Rupees)	(Rupees)
Authorised 6000000 Equity Shares of Rs 10/- each	60000000	60000000
Issued 3002000 Equity shares of Rs.10 each	30020000	30020000
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.)	30020000	30020000
TOTAL	30020000	30020000

SCHEDULE 'B'
RESERVE AND SURPLUS

Share premium	46797952	46797952
Capital Reserve	20055422	20055422
General Reserve Balance	108983798	108983798
Profit & Loss Account	35150192	45186585
TOTAL	210987364	221023757

SCHEDULE 'C'
SECURED LOANS FROM CANARA BANK

PACKING CREDIT	94294433	101948422
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 the Managing Directors & their relatives.)	33919191	17663692
TOTAL	128213624	119612114

SCHEDULE 'D'
FIXED ASSETS

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2009	ADDITIONS DURING THE YEAR	SALE/ TRANSFER	TOTAL	UPTO 1.4.2009	FOR THE YEAR 31.03.2010	ADJ. ON SALE/ TRANSFER	UPTO 31.03.2010	AS ON 31.03.2010	AS ON 31.03.2009
Building	29602180	0	0	29602180	16504816	1309736	0	17814554	11787626	13097364
Plant & Machinery	18597386	160100	0	18757486	12744984	816041	0	13561026	5196460	5852402
Elec. Installation	1290816	39135	0	1329951	912225	55056	0	967281	362670	378591
Motor Vehicles	4916918	1667409	1313204	5271123	3385085	606239	1112447	2878878	2392245	1531833
Office Equipments	5984100	198029	0	6182129	4482959	327186	0	4810145	1371984	1501141
Furniture & Fixtures	2593719	48280	0	2641999	1739022	158404	0	1897425	744573	854697
TOTAL	62985119	2112953	1313204	63784868	39769091	3272662	1112447	41929309	21855558	23216028
Previous Year	62304142	680977	0	62985119	36244324	3524768	0	39769091	23216028	26059818

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

SCHEDULE 'E'	31.03.2010	31.03.2009
INVESTMENTS	(Rupees)	(Rupees)
A) FULLY PAID EQUITY SHARES, QUOTED, NON TRADING LONG TERM, AT COST		
Gujrat Fluorochemicals Ltd - 300 Shares of Rs. 10/- each	32475	32475
Canara Bank -4100 shares of Rs. 10/- each	143500	143500
Yes Bank Ltd - 4000 shares of Rs. 10/- each	982076	0
Infosys Technologies Ltd - 180 shares of Rs. 5/- each	500976	0
United Spirits Ltd - 370 shares of Rs. 10/- each	500083	0
Larsen & Toubro Ltd - 310 shares of Rs. 2/- each	499807	0
Dr.Reddys Laboratories Ltd - 450 shares of Rs. 5/- each	499948	0
Reliance Industries Ltd - 450 shares of Rs. 10/- each	490959	0
	<u>3649824</u>	<u>175975</u>
UNQUOTED - LONG TERM		
In wholly owned Subsidiary Company		
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.	2021613	2021613
Less : Provision for Diminution in the value	1838613	1838613
SBI MF-Magnum Global fund - 15375 Units of Rs. 10/- each	183000	183000
	<u>22659234</u>	<u>19185385</u>
B) MUTUAL FUNDS - CURRENT INVESTMENTS - QUOTED		
ICICI Prud Flexible Income plan -62108 Units of Rs. 10/- each	6548472	0
MUTUAL FUNDS - LONG TERM INVESTMENTS - UNQUOTED		
SBI MF-Magnum Global fund - 15375 Units of Rs. 10/- each	500000	0
(Market Value Rs. 118.30 Lacs , Previous Year Rs.6.91 Lacs)	7048472	0
(Book value Rs. 101.98 Lacs, Previous year Rs. 1.76 Lacs)		
TOTAL	<u>29707706</u>	<u>19185385</u>
SCHEDULE 'F'		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES		
(As taken, valued & certified by Directors)		
Raw Materials	107251128	104556437
Finished Goods	41671660	31733475
Stores & Spares	2152853	2651159
TOTAL	<u>151075641</u>	<u>138941071</u>
SUNDRY DEBTORS		
(Unsecured, considered good)		
Due for less than 6 months	120107302	81916097
Due for more than 6 months	16188148	31852517
(Including Rs. 17.64 Lacs due from Shantivijay Impex, subsidiary of wholly owned subsidiary Pr. year Rs. 36.26 Lacs)		
	<u>136295450</u>	<u>113768614</u>
CASH AND BANK BALANCES		
Cash in Hand	513437	203889
Balance with scheduled banks		
In current A/C	286951	2766631
In fixed deposit A/C (with accrued interest)	904232	23578635
In EEFC Account	408894	461895
TOTAL	<u>2113514</u>	<u>27011050</u>
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances receivable in cash or in kind or for value to be received	22777151	26221674
Deposits with Government and other agencies	10749537	9321710
Taxes Paid (Income Tax)	17283102	19231959
TOTAL	<u>50809790</u>	<u>54775343</u>

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

	As at 31.03.2010 (Rupees)	As at 31.03.2009 (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	21766553	4686319
Due to Directors	824457	522033
Deposit received	1320602	1320602
Advance against Orders	Nil	502000
Unpaid dividend 2007	12622	Nil
TOTAL	23924234	7030954
B) PROVISIONS		
Employee benefit Scheme	278088	273300
Provision for Taxation	Nil	365016
TOTAL	278088	638316
SCHEDULE 'H'		
SALES AND OPERATING INCOME		
Sales	467238689	547478664
TOTAL	467238689	547478664
SCHEDULE 'I'		
OTHER INCOME		
Dividend	193800	36300
Excess after prov. exp. recd. written back	7248	20100
Rent recd. (Tds of Rs. 8.32 lacs)	5282400	5282400
TOTAL	5483448	5338800
SCHEDULE 'J'		
MATERIAL		
1. CONSUMPTION		
Opening Stock of Raw Materials	104556437	108184415
Purchase of Raw Materials	361689718	374463928
Recovered out of Melting of Finished Goods	11921915	18951150
	478168070	501599493
Less : Closing Stock of Raw Materials	107251128	104556437
TOTAL	370916942	397043056
2. TRADING MATERIALS		
	52594903	49186242
TOTAL	423511845	446229298
SCHEDULE 'K'		
INCREASE / DECREASE IN STOCK OF FINISHED GOODS W.I.P.		
Opening Stock of Finished Goods	31733475	45193847
Add : Purchases of Finished Goods	12747551	20617285
	44481026	65811132
Less : Closing Stock of Finished Goods	41671660	31733475
Less : Melting of Finished Goods	11921915	18951150
TOTAL	(9112549)	15126507

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

	31.03.2010 (Rupees)	31.03.2009 (Rupees)
SCHEDULE 'L'		
MANUFACTURING/ ADMINISTRATIVE /SELLING & DISTRIBUTION EXPENSES		
MANUFACTURING EXPENSES		
Consumable Stores, Spares & Tools	3512380	3874412
Labour Charges	20742522	19818004
Rent	691821	691821
Electricity Charges	1885290	2137867
Seepz Water charges	236348	241458
Repairs & Maintenance to Machinery	676693	458522
EMPLOYMENT EXPENSES		
Salaries & Wages	8119756	7841313
Contribution to PF & Other Funds (Incl. Rs. 5.04 Lacs for Directors)	1348704	1322666
Welfare Expenses	42455	30513
Directors Remuneration	4517521	3886285
Directors Fees	125000	155000
ADMINISTRATIVE EXPENSES		
Advertisement Expenses	61945	31110
Professional & Technical Fees	916393	2230972
Bank Charges	2604226	1408548
Rent	93460	95461
Rates & Taxes	76212	76212
Repairs & Maintenance :		
Others	833673	869036
Buildings	5000	52175
Donations	801000	884500
Auditors Remuneration :		
As Auditors	215000	175000
For Taxation Services	50000	40000
For consultancy services	60000	60000
Insurance	325000	275000
Prior Period Items	850170	922706
Other General Expenses	17855	468590
	4147683	5599444
SELLING & DISTRIBUTION EXPENSES		
Exhibition Expenses	1101186	1593641
Travelling Expenses	1585269	2596336
Credit Cards Commission	25937	214844
Freight & Cartage	1151508	1122335
Commission & Discount	1982847	1313582
TOTAL	58477854	60212353
SCHEDULE 'M'		
INTEREST		
Bank Interest	6913209	8920673
VAT interest	1538	Nil
	6914747	8920673
Less : Interest recd (Tds .Rs .1.46 lacs)	2589366	1668361
Less: Income tax refund	2051713	Nil
TOTAL	2273668	7252312

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 lower of the cost or quoted/fair value.

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 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 Transaction

(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.

(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.

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

(f) Company has not exercised option for the treatment of Foreign exchange difference relating to capital asset as per recent notification relating to the Provisions of AS 11. During the year there was no capital expenditure in Foreign currency.

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 Account 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. 2.34 Lacs.

x) Taxation

Provision for earlier years after completion of assessments have been made during the year . In view of net loss no provision is required. 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.

Contd...

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

(Rupees in lacs)

	2010	2009
1) CONTINGENT LIABILITIES		
i) In respect of Income Tax matters contested by the company	122.50	245.64
ii) In respect of Sales Tax Matters	0.85	0.85
iii) In respect of Custom Duty matter	4.51	4.51
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

	2010 (Rupees)	2009 (Rupees)
i) Salary	4200000	3550000
ii) Perquisites	317521	336285
iii) Contribution to P. F.	504000	426000
	<u>5021521</u>	<u>4312285</u>
iv) Meeting Fees	125000	155000
v) Estimated monetary value of Perquisite in the form of		
a) Personal use of assets at Residence	20050	11406
b) Personal use of Company Car	52800	Nil
vi) 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. 38.75 Lacs (Debit) Previous Year Rs. 118.97 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 primary reportable business segment.

GEOGRAPHICAL SEGMENT REPORTING (GEMS & JEWELLERY)

(Rupees in Lacs)

COUNTRY	SALES	BALANCE ON	SALES	BALANCE ON
	31/03/2010	31/03/2010	31/03/2009	31/03/2009
EXPORTS				
U.S.A.	1849.71	450.99	2092.69	125.03
EUROPE	1414.04	63.28	1667.31	131.51
MIDDLE EAST	733.40	422.37	882.56	564.12
OTHERS	572.26	391.27	507.14	259.6
LOCAL SALES	150.81	35.05	184.70	57.43
	<u>4720.22</u>	<u>1362.95</u>	<u>5334.40</u>	<u>1137.69</u>

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. 143.00 Lacs. Lease income Rs. 52.82 Lacs is recognised on straight-line basis in the Profit & Loss Account. Depreciation Rs. 12.70 Lacs provided during the year at rates for which similar Assets are depreciated. Future lease rental receivable within the period of one year Rs. 35.22 Lacs (Previous Year Rs. 52.82 Lacs) .

9) EARNING PER SHARE (EPS)

EPS computed in accordance with Accounting Standard - 20.

Basic & Diluted	2010	(Rupees in Lacs) 2009
Loss after Tax as per Accounts	(100.36)	130.38
Number of Equity Shares issued	3002000	3002000
Face Value of the Shares	10	10
EPS (Basic & Diluted) Rs.	(3.34)	4.34

10) ACCOUNTING FOR DEFERRED TAX

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 difference as under :

Deferred Tax Assets	Upto 31/03/2010	(Rupees in Lacs) Upto 31/03/2009
Assets		
Difference between Book & Tax Depreciation	27.28	25.90
Deferred Tax Asset Provision required	1.38	1.70

11) INSTALLED CAPACITY

NOT APPLICABLE

12) LICENSED CAPACITY

NOT APPLICABLE

13) QUANTITY DETAILS OF SALES

	QTY NO / SETS	2010 (Value Rs.)	QTY NO / SETS	(Rs. in Lacs) 2009 (Value Rs.)
Jewellery & Objects of Arts (In Nos)	23626	4172.14	17502	4842.82
Diamond & Precious Stones (In Cts)	4460.86	546.53	3884.02	482.22
Others		1.54		9.37
		4720.22		5334.41

14) QUANTITY DETAILS OF CONSUMPTION OF RAW MATERIALS

	Qty.	(Rs. In Lacs)	Qty.	(Rs. In Lacs)
Gold (Qty in Kgs)	69.88	1064.29	77.21	941.69
Diamonds (Qty in Cts)	19211.82	2587.40	23130.49	2963.02
Precious Stones & Metal (Individual Consumption Whereof Accounts for less than 10% of total consumption.)		63.60		76.39
		3715.29		3981.10
ADD : Diamond & Precious Stones Resale (Qty in Cts)	5077.35	525.09	5133.64	479.80
		4240.38		4460.89

15) CONSUMPTION OF IMPORTED & INDIGENOUS RAW MATERIALS & STORES

A) RAW MATERIALS CONSUMED	(Rs. in Lacs)	%	(Rs. in Lacs)	%
Indigenous	3817.03	90%	4051.86	91%
Imported	423.35	10%	409.03	9%

Contd...

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

B) STORES & TOOLS CONSUMED	(Rs. in Lacs)	%	(Rs. in Lacs)	%	
Indigenous	16.13	46%	19.51	52%	
Imported	18.85	54%	17.73	48%	
16) QUANTITY DETAILS OF PURCHASE OF FINISHED GOODS	Nos.	(Rs. in Lacs)	Nos.	(Rs. in Lacs)	
Jewellery & Objects of Arts	730	189.82	1505	191.03	
17) QUANTITY DETAILS OF ACTUAL PRODUCTION					
Jewellery Articles & Objects Arts (net of broken)	23340 Nos.		15514 Nos.		
18)	There were no amount due and outstanding to be credited to Investor Education and Protection Fund.				
19) FINANCIAL AND DERIVATIVE INSTRUMENT :-					
1)	Forward exchange contract entered into by the company for hedging currency related risks and outstanding as on 31/03/2010 Rs. NIL and (Previous Year Rs. 442.21 Lacs US\$ 900000).				
2)	The Company uses Foreign Currency forward contracts to hedge its risks against Foreign Currency.				
3)	Foreign Currency exposure that is not hedged by forward exchange contract as on 31/03/2010 Rs. 62.82 Lacs on account of Imports & others (Previous Year Rs. 9.78 Lacs) and Rs.1326.02 lacs on account of Export of goods. (Previous Year Rs. 636.30 lacs).				
20) CIF VALUE OF IMPORTS		(Rs. in Lacs)	(Rs. in Lacs)		
(Including Inter Unit Purchases)					
Raw Materials		458.74	226.34		
Stores & Consumables & Spares		13.97	19.24		
Finished Goods		129.60	189.23		
		602.30	434.82		
21) EXPENDITURE IN FOREIGN CURRENCY		(Rs. in Lacs)	(Rs. in Lacs)		
Travelling Expenses		7.92	14.00		
Exhibition Expenses & Advances		11.82	10.91		
Bank Charges		0.65	0.91		
Membership & Subscription		0.00	0.04		
Sales Commission		19.17	19.64		
		39.56	45.50		
22) EARNINGS IN FOREIGN EXCHANGE					
FOB Value of Exports		4559.74	5133.04		
23) NO. OF NON RESIDENTIAL SHARE HOLDERS		8	9		
No. of Shares held by them		60415	60419		
Dividend Remitted during the year		NIL	NIL		
24) STOCK OF FINISHED GOODS		(Rs. In Lacs) & (Qty in Nos)			
	(2009 - 2010)		(2008 - 2009)		(2007 - 2008)
	QTY	VALUE	QTY	VALUE	QTY
Jewellery Articles & Objects of Arts	1752	416.72	13.8	317.33	1791
					451.94

Contd...

SCHEDULE 'A' TO 'N' ATTACHED TO & FORMING PART OF ACCOUNTS (Contd.)**25) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I] REGISTRATION DETAILS**

Registration No. : **23289** State Code : **11**
Balance Sheet Date **31 03 2010**
Date Month Year

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

Public Issue NIL Right Issue NIL
Bonus Issue NIL Private Issue NIL

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

Total Liabilities 370383 Total Assets 370383

SOURCES OF FUNDS

Paid-Up Capital 30020 Reserve & Surplus 210987
Secured Loans 128214 Unsecured Loans 1162

APPLICATION OF FUNDS

Net Fixed Assets 21855 Investments 29708
Net Current Assets 316092 Miscellaneous Expenditure NIL
Accumulated Loss NIL Deferred Tax Assets 2728

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

Turnover 472722 Total Expenditure 478436
Loss Before Tax (5714) Loss After Tax (10036)
Earning Per Share in Rs. (3.34) Dividend Rate (%) NIL

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

(AS PER MONETARY TERMS)

Item Code No. 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 May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)
Sd/-
A. K. GODHA (Vice Chairman & M.D)
Sd/-
Directors
S. S. KASLIWAL
A. R. SHAH
J. B. SHAH
T. A. MAVANI

ANNEXURE**ENCLOSURE FOR RELATED PARTY DISCLOSURE**

As required by Accounting Standard -AS 18 " Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below :

- A) Wholly owned Subsidiary Companies
 i) Shantivijay Jewels International Ltd., Mauritius
 ii) Shantivijay Impex FZCO Dubai (Subsidiary of Shantivijay Jewels International Ltd.)
 iii) Shantivijay Impex DMCC (Subsidiary of Shantivijay Jewels International Ltd.)
- B) Associate Companies
 i) Precious Gems Pvt. Ltd.
- C) Key Management Personnel & Relatives
 Shri Pradeep Kumar Godha - Chairman & Managing Director
 Shri Anurag Godha - Vice Chairman & Managing Director
 Smt Rajrani Godha
 Smt Sudha Godha
 Smt Namita Godha } Relatives of Directors

Details of Transactions are as below:

(Figures in Rs.)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT	OUTSTANDING	TRANSACTION AMOUNT	OUTSTANDING
				31.03.2010	31.03.2010	31.03.2009	31.03.2009
1	Shantivijay Impex FZCO	Subsidiary of Wholly owned subsidiary	Sales	8761793	1763896.5DR	10235326	3626480DR
2	Shantivijay Impex FZCO	Subsidiary of Wholly owned subsidiary	Purchases	0	0	7725950	0
3	Pradeep Kumar Godha	Managing Director	Remuner+perks	2237938	592644CR	2224492	144384CR
4	Anurag Godha	Managing Director	Remuner+perks	2279583	231813CR	2311793	377649CR
5	Rajrani Godha	Wife of Director	Remuneration +Bonus and rent paid	128167	237781CR	128167	186264CR
			Advance recd	0	1162350CR	0	1162350CR
			Security deposit paid	0	8500000DR	0	8500000DR
6	Sudha Godha	Wife of Director	Remuneration +Bonus	168800	121471CR	168800	36452CR
7	Namita Godha	Wife of Director	Remuneration +Bonus	168800	103341CR	168800	151311CR
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		11400000
2	Rajrani Godha	Wife of Director	—do—	Market value	29400000		29400000

DR – Debit CR – Credit

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 Rupees	2009 Rupees
(Rupees in Thousands)		
A. CASH FLOW FROM OPERATION ACTIVITIES :-		
Net Loss before tax & extraordinary items	(5714)	20472
Adjustments for :		
Depreciation	3273	3525
Interest paid	6915	8921
	<u>4474</u>	<u>32918</u>
Adjustments for :		
Interest/Dividend Received	(4835)	(1705)
Loss on sale of Assets	12	0
<i>Operating Loss before working capital changes</i>	<u>(349)</u>	<u>31213</u>
Adjustments for :		
Trade & other receivables	(20510)	(550)
Inventories	(12135)	17158
Trade Payables	16533	(17603)
Cash generated from Operation	<u>(16460)</u>	<u>30219</u>
Interest Paid	(6915)	(8921)
Taxes paid	(2512)	(10125)
<i>Net cash(used in)/from Operating activities</i>	<u>(25887)</u>	<u>11173</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :-		
Purchase of Fixed assets	(2113)	(681)
Investments	(10522)	0
Sale of Fixed Assets.	188	0
Interest & Dividend Received	4835	1705
<i>Net cash (used in) /from Investment activities</i>	<u>(7612)</u>	<u>1024</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :-		
Increase in Bank borrowings	8602	11326
<i>Net cash (used in)/from Finance activities</i>	<u>8602</u>	<u>11326</u>
NET INCREASE IN CASH EQUIVALENTS (B+C+A)	<u>(24898)</u>	<u>23523</u>
Cash and Cash Equivalents		
Opening Balance	27011	3488
Closing Balance	<u>2113</u>	<u>27011</u>
	<u>(24898)</u>	<u>23523</u>

() Indicates deductions.

AS PER OUR ATTACHED REPORT

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

Place : Mumbai
Dated : 26th May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)
Sd/-
A. K. GODHA (Vice Chairman & M.D)
Sd/-
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, 2010, and also the related profit and loss account and the cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Subsidiary Companies, Shantivijay Jewels International Limited and its Subsidiary Shantivijay Impex FZCO and Shantivijay Impex DMCC Dubai whose financial statements reflect total assets (Net) of Rs. 933.70 lakhs as at March 31, 2010 and total revenues of Rs1535.71 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, 2010.
 - 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
M.No.9026

Place: Mumbai
Dated: 26th May, 2010

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2010

	SCHEDULES	AS AT 31.03.2010 (Rupees)	AS AT 31.03.2009 (Rupees)
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	A	30020000	30020000
Reserve & Surplus	B	284396608	294968018
LOANS FUNDS			
Secured Loans	C	128213624	119612114
Unsecured Loans		1162350	1162350
TOTAL		443792582	445762482
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	D	71834899	70666978
Less : Depreciation		42426217	40196468
		29408682	30470510
INVESTMENTS			
DEFERRED TAX ASSETS	E	10881296	358975
CURRENT ASSETS LOANS & ADVANCES	F	2728000	2590000
Inventories		223338114	218398992
Debtors		189089590	167394719
Cash & Bank Balances		5242685	30224365
Loans & advances		51426896	56390166
		469097285	472408242
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	G	68044592	59426929
Provisions		278088	638316
NET CURRENT ASSETS		400774605	412342997
TOTAL		443792582	445762482
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 May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)

Sd/-
A. K. GODHA (Vice Chairman & M.D)

Sd/-
Directors
S. S. KASLIWAL
A. R. SHAH
J. B. SHAH
T. A. MAVANI

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULES	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
INCOME		
Sales & Operating Income	H 611936994	723394646
Other income	I 5594647	5338800
	<u>617531641</u>	<u>728733446</u>
EXPENDITURE		
Materials	J 423511845	446229298
Increase/Decrease in the Stock	K 116551445	176290871
Manufacturing ,Maintenance & Administrative Expenses	L 66731858	67224501
Interest (Net)	M 2273668	7252312
Depreciation	3322427	3564420
Loss on sale of Asset	12312	Nil
TOTAL	612403554	700561402
Net Profit for the Year (Before Taxation)	5128087	28172044
Add : Deferred Tax Asset	138000	170000
Less : Provision for Taxation (for earlier years)	4460738	7400825
Less : Provision for Fringe benefit Tax	Nil	203694
Add : Profit Brought/Forward	104954112	84216587
Profit Carried to Balance Sheet	105759461	104954112
Earning per share (Basic)(Equity Shares)	0.27	6.91
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 May, 2010

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)

Sd/-
A. K. GODHA (Vice Chairman & M.D)

Sd/-
Directors
S. S. KASLIWAL
A. R. SHAH
J. B. SHAH
T. A. MAVANI

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

	As at 31.03.2010 (Rupees)	As at 31.03.2009 (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><u>30020000</u></u>	<u><u>30020000</u></u>
SCHEDULE 'B'		
RESERVE AND SURPLUS		
Share premium	46797952	46797952
Capital Reserve	20055422	20055422
General Reserve Balance	108983798	108983798
Exchange translation reserve	2799974	14176734
Profit & Loss Account	105759461	104954112
TOTAL	<u><u>284396607</u></u>	<u><u>294968018</u></u>
SCHEDULE 'C'		
SECURED LOANS FROM CANARA BANK		
PACKING CREDIT	94294433	101948422
DISCOUNTED BILLS	33919191	17663692
(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 whole time directors & their relatives.)		
TOTAL	<u><u>128213624</u></u>	<u><u>119612114</u></u>

SCHEDULE 'D'
FIXED ASSETS :

(FIGURES IN RUPEES)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AT COST ON 1.4.2009	ADDITIONS DURING THE YEAR	SALE / TRANSFER	TOTAL	UPTO 01.04.2009	FOR THE YEAR 31.03.2010	ADJ ON SALE / TRANSFER	UPTO 31.03.2010	AS ON 31.03.2010	AS ON 31.03.2009
Building	35911438	0	0	35911438	16504816	1309736	0	17814553	18096885	13097364
Plant & Machinery	18597386	160100	0	18757486	12744984	816041	0	13561026	5196460	5852402
Elec. Installation	1290816	39135	0	1329951	912225	55056	0	967281	362670	378591
Motor Vehicles	4916918	1667409	1313204	5271123	3385085	606239	1112447	2878877	2392246	1531833
Office Equipments	5984100	198029	0	6182129	4482959	327186	0	4810145	1371983	1504904
Furniture & Fixtures	3156316	1226456	0	4382772	2188830	205504	0	2394334	1988438	8105414
TOTAL	69856974	3291129	1313204	71834899	40218899	3319762	1112447	42426216	29408682	30470508
Previous Year	62833072	7833906	0	70666978	36637849	3558619	0	40196468	30470508	26195222

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

	31.03.2010 (Rupees)		31.03.2009 (Rupees)	
SCHEDULE 'E'				
INVESTMENTS				
A) FULLY PAID EQUITY SHARES, QUOTED, NON TRADING LONG TERM, AT COST				
Gujrat Fluorochemicals Ltd - 300 Shares of Rs. 10/- each	32475		32475	
Canara Bank - 4100 shares of Rs. 10/- each	143500		143500	
Yes Bank Ltd - 4000 shares of Rs. 10/- each	982076		0	
Infosys Technologies Ltd - 180 shares of Rs. 5/- each	500976		0	
United Spirits Ltd - 370 shares of Rs. 10/- each	500083		0	
Larsen & Toubro Ltd - 310 shares of Rs. 2/- each	499807		0	
Dr.Reddys Laboratories Ltd - 450 shares of Rs. 5/- each	499948		0	
Reliance Industries Ltd - 450 shares of Rs. 10/- each	490959	3649824	0	175975
183000 fully paid Equity shares of Rs. 10/- each of German Garden Ltd.	2021613		2021613	
Less: Provision for Diminution in the value	1838613	183000	1838613	183000
		3832824		358975
B) INVESTMENTS IN MUTUAL FUNDS				
MUTUAL FUNDS - CURRENT INVESTMENTS - QUOTED				
ICICI Prud Flexible Income plan -62108 Units of Rs. 10/- each		6548472		0
MUTUAL FUNDS - LONG TERM INVESTMENTS - UN QUOTED				
SBI MF-Magnum Global fund - 15375 Units of Rs. 10/- each		500000	7048472	0
(Market Value Rs. 118.30 Lacs, Previous Year Rs.6.91Lacs)				
(Book value Rs. 101.98 Lacs, Previous year Rs. 1.76 Lacs)				
TOTAL		10881296		358975
SCHEDULE 'F'				
CURRENT ASSETS, LOANS & ADVANCES				
INVENTORIES				
(As taken ,valued & certified by Directors)				
Raw Materials		107251128		104556437
Finished Goods		113934133		111191396
Stores& Spares		2152853		2651159
TOTAL		223338114		218398992
SUNDRY DEBTORS				
(Unsecured, considered good)				
Due for less than 6 months		135401784		94237304
Due for more than 6 months		53687807		73157416
TOTAL		189089590		167394719
CASH AND BANK BALANCES				
Cash in Hand		643197		239646
Balance with scheduled banks				
In current A/C		3286362		5944189
In fixed deposit A/C (with accrued interest)		904232		23578635
In EEFC Account		408894		461895
TOTAL		5242685		30224365

Contd..

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

	31.03.2010 (Rupees)	31.03.2009 (Rupees)
LOANS AND ADVANCES		
Unsecured, considered good (Advances Receivable in cash or in kind or value to be received)	22881004	26325527
Deposits with Government and other agencies	11262790	10832680
Taxes Paid (Income Tax)	17283102	19231959
TOTAL	51426896	56390166
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	64855738	54715191
Due to the Directors	824457	522033
Advance/Deposit Received	2351775	4189704
Unpaid dividend 2007	12622	Nil
TOTAL	68044592	59426929
B) PROVISIONS		
Employee benefit Scheme	278088	273300
Provision for Taxation	Nil	365016
TOTAL	278088	638316
SCHEDULE 'H'		
SALES AND OPERATING INCOME		
Sales	611936994	723394646
TOTAL	611936994	723394646
SCHEDULE 'I'		
OTHER INCOME		
Dividend	193800	36300
Excess prov for exp written back	118447	20100
Rent recd (Tds of Rs. 8.32 lacs)	5282400	5282400
TOTAL	5594647	5338800
SCHEDULE 'J'		
MATERIALS		
1) CONSUMPTION		
Opening Stock of Raw Materials	104556437	108184415
Purchase of Raw Materials	361689718	374463928
Recovered out of Melting of Finished Goods	11921915	18951150
	478168070	501599493
Less : Closing Stock of Raw Materials	107251128	104556437
	370916942	397043056
2) TRADING MATERIALS		
	52594903	49186242
TOTAL	423511845	446229298

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

	31.03.2010 (Rupees)	31.03.2009 (Rupees)
SCHEDULE 'K'		
INCREASE / DECREASE IN STOCK OF FINISHED GOODS /W.I.P.		
Opening Stock of Finished Goods	111191396	119039653
Add : Purchases of Finished Goods	131216097	187393764
	<u>242407493</u>	<u>306433417</u>
Less : Closing Stock of Finished Goods	113934133	111191396
Less : Melting of Finished Goods	11921915	18951150
TOTAL	<u>116551445</u>	<u>176290871</u>
SCHEDULE 'L'		
MANUFACTURING/ ADMINISTRATIVE /SELLING & DISTRIBUTION EXPENSES		
MANUFACTURING EXPENSES		
Consumable Stores, Spares & Tools	3512380	3874412
Labour Charges	20742522	19818004
Rent	691821	691821
Electricity Charges	1975956	2198771
Seepz Water charges	236348	241458
Repairs & Maintenance to Machinery	676693	458522
EMPLOYMENT EXPENSES		
Salaries & Wages	8773479	8414105
Contribution to PF & Other Funds (Incl. Rs. 5.04 Lacs for Directors)	1348704	1322666
Welfare Expenses	42455	30513
Directors Remuneration	4636026	3996593
Directors Fees	125000	155000
ADMINISTRATION EXPENSES		
Advertisement Expenses	61945	31110
Professional & Technical Fees	1354975	2230972
Bank Charges	2666307	1452984
Rent	1906901	2259807
Rates & Taxes	76212	76212
Repairs & Maintenance :		
Others	833673	889414
Buildings	5000	52175
Donations	801000	884500
Auditors Remuneration :		
As Auditors	380488	500910
For Taxation Services	50000	40000
For consultancy services	60000	60000
Insurance	923785	932734
Prior Period Items	17855	468590
Other General Expenses	8721059	8523756
SELLING & DISTRIBUTION EXPENSES		
Exhibition Expenses	1101186	1593641
Travelling Expenses	1771474	2741788
Credit Cards Commission	25937	214844
Freight & Cartage	1151508	1248881
Commission & Discount	2061168	1820318
TOTAL	<u>66731858</u>	<u>67224501</u>

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

	31.03.2010 (Rupees)	31.03.2009 (Rupees)
SCHEDULE 'M'		
INTEREST		
Bank Interest	6913209	8920673
Vat Interest	1538	0
	<u>6914747</u>	<u>8920673</u>
Less : Interest recd (Tds .Rs .1.46 lacs)	2589366	1668361
Less: Income tax refund	2051713	0
TOTAL	<u><u>2273668</u></u>	<u><u>7252312</u></u>

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 & Shantivijay Impex DMCC Dubai. The consolidated financial statements have been prepared on the following basis.

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

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

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

Name of the Company	Country of Incorporation	%of Voting Power held as at 31.03.2010
a) Shantivijay Jewels International Ltd	Mauritius	100 %
b) i) Shantivijay Impex FZCO	Dubai	100 %
ii) Shantivijay Impex DMCC	Dubai	100 %

(Wholly owned subsidiaries of
Shantivijay Jewels International Ltd.)

iii) Exchange Adjustments

Incase 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.

Contd..

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 31.03.2010	SALES	(Rs. in Lacs)
				BALANCE ON 31.03.2009
EXPORTS				
U.S.A	1990.12	470.79	2111.69	125.03
EUROPE	1939.91	232.41	2298.29	365.55
MIDDLE EAST	1245.09	634.01	1718.17	741.04
OTHERS	841.27	518.65	780.71	384.90
LOCAL SALES	150.81	35.04	184.70	57.43
	6167.20	1890.90	7093.56	1673.95

vi) **Contingent Liabilities**

	2010	2009
i) In respect of Income tax matters contested by the company	122.50	245.64
ii) In respect of Sales tax matters	0.85	0.85
iii) In respect of Custom Duty matter	4.51	4.51
iv) Estimated amount of Contracts remaining to be executed on Capital Accounts and not provided for in the accounts.	NIL	NIL

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

viii) **DIRECTORS REMUNERATION**

	2010 (Rupees)	2009 (Rupees)
i) Salary	4318505	3660308
ii) Perquisites	317521	336285
iii) Contribution to P.F.	504000	426000
	5140026	4422593
iv) Meeting Fees	125000	155000
v) Estimated monetary value of perquisite in the form of		
a) Personal use of assets at Residence	20050	11406
b) Personal use of Company Car	52800	NIL

ix) **Earning per Share (EPS)**

EPS computed in accordance with Accounting Standard-20.

Basic & Diluted	2010 (Rupees)	2009 (Rupees)
Profit/Loss after tax as per Accounts	8.05	207.37
Number of equity shares issued	3002000	3002000
Face value of the Shares	10	10
EPS(Basic & Diluted)	0.27	6.91

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.

Contd..

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 lower of the cost or quoted/fair value.

xv) Inventories

a) Raw materials are valued at lower of the cost or net realisable value; cost is arrived out on FIFO System. Cost includes costs incurred in bringing them to their present location. Branches have not considered this cost.

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..

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.

f) Company has not exercised option for the treatment of Foreign exchange difference relating to capital asset as per recent notification relating to the Provisions of AS 11. During the year there was no capital expenditure in foreign currency.

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. 2.34 lacs.

AS PER OUR ATTACHED REPORT

B.F. Chordia & Co.

Chartered Accountants

Sd/-

B.F. Chordia

Proprietor

Place : Mumbai

Dated : 26th May, 2010.

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)

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

Sd/-

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

Sd/-

Directors

S. S. KASLIWAL

A. R. SHAH

J. B. SHAH

T. A. MAVANI

ANNEXURE RELATED PARTIES DISCLOSURES:

As required by Accounting Standard -AS 18 " Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below :

- A) Wholly owned Subsidiary Companies
- i) Shantivijay Jewels International Ltd., Mauritius
 - ii) Shantivijay Impex FZCO Dubai (Subsidiary of Shantivijay Jewels International Ltd.)
 - iii) Shantivijay Impex DMCC (Subsidiary of Shantivijay Jewels International Ltd.)
- B) Associate Companies
- i) Precious Gems Pvt. Ltd.
- C) Key Management Personnel & Relatives
- Shri Pradeep Kumar Godha - Chairman & Managing Director
 Shri Anurag Godha - Vice Chairman & Managing Director
- Smt Rajrani Godha }
 Smt Sudha Godha } Relatives of Directors
 Smt Namita Godha }

Details of Transactions are as below:

(Figures in Rs.)

SR. NO	NAME OF THE PARTY	RELATIONSHIP	NATURE OF TRANSACTION	TRANSACTION AMOUNT	OUTSTANDING	TRANSACTION AMOUNT	OUTSTANDING
				31.03.2010	31.03.2010	31.03.2009	31.03.2009
1	Pradeep Kumar Godha	Managing Director	Remuner+perks	2237938	592644 CR	1899492	144384CR
2	Anurag Godha	Managing Director	Remuner+perks	2279583	231813 CR	1986793	377649 CR
3	Rajrani Godha	Wife of Director	Remuneration +Bonus and rent paid	128167	237781 CR	128167	186264 CR
			Advance recd	0	1162350 CR	0	1162350 CR
			Security deposit paid	0	8500000 DR	0	8500000 DR
4	Sudha Godha	Wife of Director	Remuneration +Bonus	168800	121471 CR	168800	36452 CR
5	Namita Godha	Wife of Director	Remuneration +Bonus	168800	103341 CR	168800	151311 CR
6	International Financial Services Ltd	Company in which Director are interested	Remuneration	118505	0	110308	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		11400000
2	Rajrani Godha	Wife of Director	----- do -----	Market value	29400000		29400000

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rupees in Thousands)

	2010 Rupees	2009 Rupees
A. CASH FLOW FROM OPERATION ACTIVITIES :-		
Net Profit before tax & extraordinary items	4224	32126
Adjustments for :		
Depreciation	3320	3670
Interest paid	6915	8921
	<u>14459</u>	<u>44717</u>
Adjustments for :		
Write off of over provision	(105)	(375)
Interest/Dividend Received	(4835)	(1702)
Loss on sale of Assets	12	0
Operating Profit before working capital changes	<u>9531</u>	<u>42640</u>
Adjustments for :		
Trade & other receivables	(23538)	(2536)
Inventories	(13885)	13380
Trade Payables	12928	(19501)
Cash generated from Operation	(14964)	33983
Interest Paid	(6915)	(8921)
Taxes paid	(2512)	(10051)
Net cash (used in)/ from Operating activities	<u>(24392)</u>	<u>15011</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :-		
Purchase of Fixed assets	(3291)	(819)
Investments	(10522)	0
Increase in Capital work in Progress	0	(1353)
Sale of Fixed Assets.	188	0
Interest & Dividend Received	4835	1702
Net cash (used in)/ Investment activities	<u>(8790)</u>	<u>(470)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :-		
Increase in bank borrowings	8602	11326
Net cash used in Finance activities	<u>8602</u>	<u>11326</u>
NET INCREASE IN CASH EQUIVALENTS (B+C+A)	<u>(24579)</u>	<u>25868</u>
Cash and Cash Equivalents		
Opening Balance	29856	4842
Closing Balance	<u>5277</u>	<u>30710</u>
	<u>(24579)</u>	<u>25868</u>

() Indicates deductions.

Note : Difference in the opening balance of cash & 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 May, 2010.

For **SHANTIVIJAY JEWELS LTD.**

Sd/- (29.05.2010)
P. K. GODHA (Chairman & M.D)

Sd/-
A. K. GODHA (Vice Chairman & M.D)

Sd/-
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, 2010	31 st March, 2010	31 st March, 2010
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 Shares of AED 100000/- each fully paid- up. (held through Shantivijay Jewels International Limited (Mauritius))	N.A * (*According to local law applicable to DMCC, shares can be issued only after the capital is deposited in a bank account which will be held by Shantivijay Jewels International Limited (Mauritius))
b. Extent of interest of holding company at the end of the financial year of the subsidiary companies	100%	100%	100%
4. The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding Company.			
a. Not dealt with in the holding Company's accounts			
i) For the financial year ended 31 st March, 2010	US\$ (13052) (equivalent to Rs.(619187))	US \$246169/- (equivalent to Rs. 11678258)	US \$ (11786) (equivalent to Rs.(559128))
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	US\$340507 (equivalent to Rs.17270515)	(US \$1069460 (equivalent to Rs. 54243010))	US \$ (2043) (equivalent to Rs. (103621))
b. Dealt within holding Company's accounts:			
i) for the financial year ended 31 st March, 2010	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.

Sd/- (29.05.2010)

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

Sd/-

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

Sd/-

Directors

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

Place : Mumbai

Dated : 26th May, 2010.

COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

ACTIVITY

The principal activity of SHANTIVIJAY JEWELS INTERNATIONAL LIMITED (the "Company") is to act as an investment holding company.

RESULTS

The results for the year are shown in the statement of comprehensive income 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), Pradeep Godha (w.e.f. 13.06.1997), Aurag Godha (w.e.f. 13.06.1997). All directors served office throughout the year.

DIRECTORS' RESPONSIBILITIES

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

Report on the Financial Statements

We have audited the financial statements of **SHANTIVIJAY JEWELS INTERNATIONAL LIMITED** set out on pages 7 to 22 (pages from 47 to 52 of this Annual Report), which comprise the statement of financial position as at 31 March 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001. This responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company'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 Company's

- 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, Nexia Baker & Arenson, 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 2010.

for International Financial Services Limited
Secretary

Sd/-

Registered Office:

IFS Court, Twenty Eight, Cybercity,
Ebene, Mauritius

Date: 9 June, 2010

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritian Companies Act 2001 for companies holding a Category 1 Global Business Licence, and comply with the Mauritian Companies Act 2001.

Other matter

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements Mauritian Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors, tax and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required. In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Nexia Baker & Arenson
Chartered Accountants

Date: 9 June 2010

Ouma Shankar Ochit FCCA
Signing Partner

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010		2009	
		USD	RUPEES	USD	RUPEES
ASSETS					
Non-current assets					
Investment in subsidiary company	4	27,248	1,223,435	27,248	1,382,019
Share application monies	5	140,518	6,309,258	140,518	7,127,073
Advance to subsidiary company	6	607,604	27,281,420	621,362	31,515,481
		<u>775,370</u>	<u>34,814,113</u>	<u>789,128</u>	<u>40,024,572</u>
Current assets					
Advances and prepayments	7	2,892	129,851	3,142	159,362
Cash and cash equivalents	8	3,793	170,306	3,993	202,525
		<u>6,685</u>	<u>300,157</u>	<u>7,135</u>	<u>361,887</u>
Total assets		<u>782,055</u>	<u>35,114,270</u>	<u>796,263</u>	<u>40,386,459</u>
EQUITY AND LIABILITIES					
Shareholder's equity					
Stated capital	9	450,250	20,216,225	450,250	22,836,680
Retained earnings		327,455	14,702,730	340,507	17,270,515
		<u>777,705</u>	<u>34,918,955</u>	<u>790,757</u>	<u>40,107,195</u>
Non-current liability					
Employee terminal benefits		—	—	2,344	118,888
Current liability					
Accruals		4,350	195,315	3,162	160,377
Total equity and liabilities		<u>782,055</u>	<u>35,114,270</u>	<u>796,263</u>	<u>40,386,459</u>

Approved by the Board of Directors on 9 June 2010 and signed on its behalf by:

Sd/-	Sd/-
_____ Director	_____ Director

The notes on pages 11 to 22 form an integral part of these financial statements. (pages from 47 to 52 of this Annual Report)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	USD	RUPEES	USD	RUPEES
Income				
Other income	2,344	111,199	—	—
Expenses				
Administrative expenses	7,046	334,262	6,720	301,920
Directors' fees	2,498	118,505	2,398	110,308
Professional fees for tax	1,500	71,160	—	—
FSC licence fees	1,503	71,302	1,500	67,500
Secretarial fees	1,499	71,113	1,449	66,654
Audit fees	900	42,696	3,270	150,420
ROC fees	250	11,860	250	11,500
Bank charges	200	9,488	50	2,300
Foreign exchange loss	—	—	1,362	62,652
	<u>15,396</u>	<u>730,386</u>	<u>16,999</u>	<u>773,254</u>
Operating loss for the year	<u>(13,052)</u>	<u>(619,187)</u>	<u>(16,999)</u>	<u>(781,954)</u>
Taxation	3	—	—	—
Comprehensive loss for the year	<u>(13,052)</u>	<u>(619,187)</u>	<u>(16,999)</u>	<u>(781,954)</u>

The notes on pages 11 to 22 form an integral part of these financial statements. (pages from 47 to 52 of this Annual Report)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Stated Capital		Retained Earnings		Total	
	USD	RUPEES	USD	RUPEES	USD	RUPEES
At 1 April 2008	450,250	20,216,225	357,506	16,052,019	807,756	36,268,244
Comprehensive loss for the year	—	—	(16,999)	(763,255)	(16,999)	(763,255)
At 31 March 2009	450,250	20,216,225	340,507	15,288,764	790,757	35,504,989
Comprehensive loss for the year	—	—	(13,052)	(586,035)	(13,052)	(586,035)
At 31 March 2010	450,250	20,216,225	327,455	14,702,730	777,705	34,918,955

The notes on pages 11 to 22 form an integral part of these financial statements. (pages from 47 to 52 of this Annual Report)

SHANTIVIJAY JEWELS INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	USD	RUPEES	USD	RUPEES
Cash flows from operating activities				
Net loss for the year	(13,052)	(586,035)	(16,999)	(862,189)
Adjustments for:				
Foreign exchange loss	—	—	1,362	69,081
Employee terminal benefits written off	(2,344)	(105,246)	—	—
Operating loss before working capital changes	(15,396)	(691,280)	(15,637)	(793,109)
Decrease/(increase) in advances and prepayments	250	11,225	(945)	(47,930)
Increase/(decrease) in accruals	1,188	53,341	(2,649)	(134,357)
Net cash used in operating activities	(13,958)	(626,714)	(19,231)	(975,396)
Cash flow from investing activity				
Investment in subsidiary company	—	—	(16,905)	(857,422)
Net cash used in investing activity	—	—	(16,905)	(857,422)
Cash flow from financing activity				
Repayment from subsidiary company	13,758	617,734	37,448	1,899,363
Net cash from financing activity	13,758	617,734	37,448	1,899,363
Net (decrease)/increase in cash and cash equivalents	(200)	(8,980)	1,312	66,545
Cash and cash equivalents at beginning of the year	3,993	179,286	4,043	205,061
Effect of exchange rates	—	—	(1,362)	(69,081)
Cash and cash equivalents at end of the year	3,793	170,306	3,993	202,525

The notes on pages 11 to 22 form an integral part of these financial statements. (pages from 47 to 52 of this Annual Report)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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 act as an investment holding company.

The financial statements of the Company are presented in United States Dollars ("USD").

2. Accounting policies

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards including International Accounting Standards and Interpretations (collectively referred as "IFRS"). A summary of the more important accounting policies, which have been applied consistently, is set out below. The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(b) Standards and amendments to existing standards effective on 1 January 2009

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard requires non-owner changes in equity to be presented separately from owner changes in equity.

All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39 'Financial instruments: Recognition and measurement', are examples of current assets and liabilities respectively. The Company applied the amendments as from 1 January 2009. However, it did not have any impact on the Company's financial instruments.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's

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annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss relating to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of these amendments did not have a significant impact on the Company's financial statements.

- There are number of minor amendments to IFRS 7, 'Financial instruments: Disclosures'; IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period' and IAS 18, 'Revenue', which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments do not have any impact on the Company's accounts and have therefore not been analysed in detail.

(c) Standards, amendments and interpretations effective on 1 January 2009 but not relevant for the Company's operations

- IAS 23 (amendment), 'Borrowing costs';
- IAS 39 and IFRIC 9 (amendments), 'Embedded derivatives' (effective for all periods ending on or after 30 June 2009);
- IAS 39 and IFRS 7 (amendments), 'Reclassification of financial assets';
- IFRS 1 (amendment), 'First-time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements';
- IFRS 2 (amendment), 'Share-based payment';
- IFRS 8, 'Operating segments' 1; and
- IFRIC 15, 'Agreements for construction of real estates'.

(d) Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations

The following interpretations are mandatory for company's accounting periods beginning on or after 1 July 2009 or later periods but are not relevant for the Company's operations:

- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 July 2009);
- IFRS 1 (amendments), 'Additional exemptions for first-time adopters' (effective from 1 January 2010);
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010);
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009);
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009); and
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009).

(e) Investment in subsidiary company

Subsidiary undertakings are those entities over which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Investment in subsidiary is shown at cost in the Company's financial statements. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment

is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss charged to the statement of comprehensive income.

(f) Available-for-sale investments

Investments have been classified as available-for-sale.

Available-for-sale investments consist of equity instruments, which the Company intends to hold for an undefined period. Available-for-sale investments are stated at their fair values at the reporting date. The fair values represent the market values of the equity instruments, which are determined by reference to the Stock Exchange quoted selling price at the close of the business at the reporting date.

The resulting temporary unrealised gains/losses (including unrealised foreign exchange differences on retranslation at the closing rate, if any) are recognised in other comprehensive income and accumulated in the fair value reserve till the underlying investment is sold or permanently written off when the total realised gains/losses are included in the statement of comprehensive income.

The available-for-sale investments are stated at cost when they consist of unquoted equity instruments whose fair values cannot be reliably determined. Any permanent impairment is recognised as an expense in the period in which the diminution is identified.

On disposal of the available-for-sale investments, the difference between net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Receivables

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

(i) Stated capital

Ordinary shares are classified as equity.

(j) Payables

Payables are stated at their nominal value.

(k) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(l) Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

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(m) Expense recognition

All expenses are accounted for in the statement of comprehensive income on the accrual basis.

(n) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements of the Company are presented in USD, which is the functional currency of the Company.

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 translation of the period and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(o) Deferred income taxes

Deferred income tax is provided, 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 enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which unused tax losses can be utilised.

(p) 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 party in making financial and operating decisions.

(q) Financial instruments

Financial instruments carried on the statement of financial position include share application monies, advance to subsidiary company, advances, cash and cash equivalents and accruals. 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 10.

(r) Employee Terminal Benefits

Employee entitlements to employee terminal benefits is no more payable by the Company and has been written off during the year.

(s) Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations future events that are believed to be reasonable under the circumstances.

There are no significant estimates or judgements made by the Company for the financial year ended 31 March 2010.

3. Taxation

Taxation in Mauritius

Under current laws and regulations the Company 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.

The Company expects to benefit from the double taxation treaty between Mauritius and India and has received a certificate from the Mauritian Authorities, which is renewable annually subject to meeting certain conditions, certifying that it is a resident of Mauritius.

At 31 March 2010, the Company had accumulated tax losses amounting to **USD48,175 Rs. 2,285,422/-** (2009: USD35,123 Rs. 1,615,658/-) 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
 up to year ending 31 March 2014 : USD15,637
 up to year ending 31 March 2015 : USD13,052

Tax reconciliation

Reconciliation between the actual income tax rate of **0%** (2009 - 0%) and the applicable income tax rate of **15%** (2009 - 15%) is as follows:

	2010	2009
	USD	USD
(As a percentage of loss before taxation)		
Applicable income tax rate	(15)	(15)
Impact of :		
Deferred tax assets not recognised	15	15
Expenses not deductible	—	—
Actual income tax rate	—	—

Deferred tax

A deferred tax asset of **USD1,445** (2009 : USD1,054) 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.

4. Investment in subsidiary company

	2010		2009	
	USD	RUPEES	USD	RUPEES
Cost				
At beginning of the year	27,248	1,223,435	27,248	1,382,019

The details of the investment in subsidiary company as at 31 March 2010 are as follows:

Name of subsidiary company	Country of incorporation	Type of shares	% holding	Cost	
				USD	RUPEES
Shantivijay Impex FZCO	Dubai U.A.E	Equity	100%	27,248	1,223,435

No consolidated accounts have been prepared as the directors of the Company have taken advantage of the exemption under the Mauritian Companies Act 2001, which exempts a Company holding a Global Business Licence from preparing consolidated financial statements when it is a wholly owned or a virtually wholly owned subsidiary of a Company incorporated outside Mauritius.

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5. Share application monies

	2010		2009	
	USD	RUPEES	USD	RUPEES
At beginning of the year	140,518	6,309,258	123,613	626,965
Addition during the year	—	—	16,905	857,422
At end of the year	140,518	6,309,258	140,518	7,127,073

Share application monies represent funds remitted to Shantivijay Impex DMCC, a company incorporated in Dubai U.A.E for acquisition of equity shares. At reporting date shares had still not been issued against the share application monies. Hence, the funds sent to Shantivijay Impex DMCC which had previously been classified as investments have been reclassified as share application monies. Comparatives have been restated.

6. Advance to subsidiary company

	2010		2009	
	USD	RUPEES	USD	RUPEES
At beginning of the year	621,362	27,899,154	658,810	33,414,843
Movement during the year	(13,758)	(617,734)	(37,448)	(1,899,363)
At end of the year	607,604	27,281,420	621,362	31,515,481

The advance to subsidiary company is interest free, unsecured and receivable after more than one year.

7. Advances and prepayments

	2010		2009	
	USD	RUPEES	USD	RUPEES
Advances	828	37,177	750	38,040
Prepayments	2,064	92,674	2,392	121,322
	2,892	129,851	3,142	159,362

8. Cash and cash equivalents

	2010		2009	
	USD	RUPEES	USD	RUPEES
Cash in hand	705	31,655	705	35,758
Cash at bank	3,088	138,651	3,288	166,767
	3,793	170,306	3,993	202,525

9. Stated capital

	2010		2009	
	USD	RUPEES	USD	RUPEES
Issued and fully paid 450,250 ordinary shares of USD 1 each	450,250	20,216,225	450,250	22,836,680

10. Financial instruments and associated risks

(a) Fair values

The carrying amounts of share application monies, advance to subsidiary company, advances, cash and cash equivalents and accruals approximate their fair values.

(b) Currency profile

Cash flows from financial instruments in currencies other than the reporting currency may be affected by the prevailing rates of exchange. The financial instruments are disclosed in their respective currencies below:

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

	2010		2010		2009		2009	
	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	USD	RUPEES	USD	RUPEES	USD	RUPEES	USD	RUPEES
U.A.E Dirhams	776,075	34,845,768	—	—	789,833	40,060,330	—	—
United States Dollars	3,088	138,651	4,350	195,315	3,288	166,767	3,162	160,377
	779,163	34,984,419	4,350	195,315	793,121	40,227,097	3,162	160,377

(c) Financial Risk factors

The Company's activities expose it to a variety of financial risks namely (i) market risk which includes interest rate risks and foreign exchange risks, (ii) concentration risk, (iii) credit risks and (iv) liquidity risks. The Company's risks management 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 minimizing its exposure to financial risks.

The Company does not actively engage in the trading of the financial assets and derivatives for speculative purposes and hence,

it is not particularly vulnerable to market risk. The main financial risks to which the Company is exposed are described below.

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company is not exposed to any significant interest rate risk as it does not have major interest bearing financial instruments and there are no borrowings from bank and third parties. Cash and cash equivalent is the only interest bearing financial assets. At 31 March 2010, the Company's bank balance was USD3,088 and no interest income was earned. A change in the market interest rate would impact marginally on the Company's operating cash flows.

Foreign exchange risk

The Company invests in shares denominated in U.A.E Dirhams. Consequently, the Company is exposed to the risk that the exchange rate of the United States Dollars (USD) relative to the

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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 Dirhams.

(ii) *Credit risk*

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Financial assets, which potentially expose the Company to credit risk, comprises mainly of advance to subsidiary and cash balance.

The Company's bank deposit is with reputable bank with high quality external credit ratings, hence minimising its credit risk.

(iii) *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.

(iv) *Concentration of risk*

At 31 March 2010, a significant portion of the Company's net assets consisted of an investment in Dubai U.A.E which involve certain considerations and risks not typically associated with investments in other countries. Future economic and political developments in Dubai U.A.E could adversely affect the liquidity and/or the value of the security in which the Company has invested.

The Board of directors closely monitors the investment in Dubai, UAE for any foreign currency and concentration risks. Any risks identified are assessed thoroughly by the Board to find the appropriate measures to counter those risks.

(v) *Capital risk management*

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity.

11. Related party transactions

During the year ended 31 March 2010, the Company transacted with related parties. The nature, type of transaction and balance with the related parties are as follows.

Name of related parties	Relationship	Nature of transactions	Balance			
			2010		2009	
			USD	RUPEES	USD	RUPEES
Shantivijay Impex FZCO	Subsidiary	Loan	607,604	27,281,420	621,362	31,515,481
International Financial Services Limited	Administrator & Secretary	Administration & secretarial fees	8,545	405,375	8,169	375,774

Two directors of the Company, Messrs Couldip Basanta Lala and Dev Joory are directors of International Financial Services Limited ("Administrator"), and hence deemed to have beneficial interests in the Service Agreement between the Company and the Administrator. Directors' fee incurred for the year amount to USD2,498.

12. Holding and ultimate holding company

The Company regards Shantivijay Jewels Ltd, a company incorporated in India as its holding and ultimate holding company.

13. Companies

The Company has changed its comparatives to reflect the reclassification of the amount transferred to Shantivijay Impex DMCC as share application monies.

14. Significant events

There were no significant events occurring after the reporting 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, 2010 amounted to USD.246,169/- .Rs. 11,678,244/-.

Review of the Business

The Company was incorporated in United Arab Emirates on January 24, 2004 and is engaged in the business of trading in gems and jewellery. The company has submitted application for cancellation of trade licence.

Sales decreased by 23.25% amounted to USD.3,234,825/- (Rs.153,460,098/-) as compared to previous year.

Gross margin on Sales is 12.18 % as compared to 7.21 % in the previous year.

Significant Events occurring after the financial position date

The management has passed the board resolution for winding up the company and cancelling the licence issued by the Jabel Ali Free Zone Authority. The management has submitted application to the authority and cancellation procedure is in the process.

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
Mr. Anurag Godha
Director

Date : April 25, 2010

Independent Auditor's Report to the Shareholder of SHANTIVIJAY IMPEX FZCO

P.O. Box 123909, Dubai - United Arab Emirates

We have audited the accompanying financial statements of Shantivijay Impex FZCO ("the Company"), which comprise the statement of financial position as at March 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes as set out on page - 4 to 20 (pages from 54 to 60 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, 2010 and of its financial performance and its cash flows for the period from April 1, 2009 to March 31, 2010, in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the implementing Regulation No.1/2002 for gold and diamond park companies issued pursuant to Law No. 2 of 1986 and U.A.E. Federal commercial Companies Law No. 8 of 1984 (as amended) and the articles of association of the company; proper books of account have been kept by the company; an inventory was duly carried out and the contents of the report of the directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the implementing Regulation No.1/2002 for gold and diamond park companies issued pursuant to Law No. 2 of 1986 and U.A.E. Federal commercial Companies Law No. 8 of 1984 (as amended) and the articles of association of the company have occurred during the year which would have had a material effect on the business of the company or on its financial position.

Emphasis of Matter

Without qualifying our report, we draw attention to Note - 1 b to the financial statements. The management has submitted application to the Jabel Ali Free Zone Authority for cancellation of trade licence of the company. The company is under liquidation. Hence, the company is not in continuation of the business as going concern.

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

Date : April 25, 2010

STATEMENT OF FINANCIAL POSITION
As at 31st March

	Notes	2010		2009	
		US \$	RUPEES	US \$	RUPEES
Assets					
Property, plant and equipment	SCH	2,362	106,054	2,512	127,409
Total Non-current assets		2,362	106,054	2,512	127,409
Inventories	6	1,634,668	73,396,593	1,595,699	80,933,853
Trade and other receivable	7	1,311,219	58,873,733	1,130,159	57,321,664
Deposits, Advances and prepayments		7,717	346,493	28,696	1,455,461
Cash and bank balance	8	11,404	512,040	59,361	3,010,790
Total Current assets		2,965,008	133,128,859	2,813,915	142,721,768
Total Assets		2,967,370	133,234,913	2,816,427	142,849,177
Equity					
Share Capital	1a	27,248	1,223,435	27,248	1,382,019
Shareholder's Loan account		607,604	27,281,420	621,362	31,515,481
Retained earnings		1,315,629	59,071,742	1,069,460	54,243,010
Total equity attributable to equity holders of the company		1,950,481	87,576,597	1,718,070	87,140,510
Total Equity		1,950,481	87,576,597	1,718,070	87,140,510
Trade and other payables	9	990,926	44,492,577	1,048,608	53,185,398
Advance received from customers		22,966	1,031,173	46,670	2,367,102
Provisions and accruals		2,997	134,565	3,079	156,167
Total Current Liabilities		1,016,889	45,658,315	1,098,357	55,708,667
Total Liabilities		1,016,889	45,658,315	1,098,357	55,708,667
Total Equity and Liabilities		2,967,370	133,234,913	2,816,427	142,849,177

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 21 (pages from 54 to 60 of this Annual Report) are approved on April 25, 2010 and signed by

On behalf of the Board
Mr. Anurag Godha
Director
STATEMENT OF CHANGES IN EQUITY
Year Ended March 31, 2010

	Share Capital		Retained Earnings		Shareholder's Loan		Total	
	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Balance as at 01.04.2008	27,248	1,223,435	900,520	40,433,348	658,810	29,580,569	1,586,578	71,237,352
Profit or loss	0	0	168,940	7,585,406	0	0	168,940	7,585,406
Other comprehensive income	0	0	0	—	0	0	0	0
Total comprehensive income for the period	0	0	168,940	7,585,406	0	0	168,940	7,585,406
Transaction with owners recorded directly in Equity								
Loan Repayment	0	0	0	0	(37,448)	(1,681,415)	(37,448)	(1,681,415)
Balance as at 31.03.2009	27,248	1,223,435	1,069,460	48,018,754	621,362	27,899,154	1,718,070	77,141,343
Profit or loss	0	0	246,169	11,052,988	0	0	246,169	11,052,988
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income for the period	0	0	246,169	11,052,988	0	0	246,169	11,052,988
Transaction with owners recorded directly in Equity								
Loan Repayment	0	0	0	0	(13,758)	(617,734)	(13,758)	(617,734)
Balance as at 31.03.2010	27,248	1,223,435	1,315,629	59,071,742	607,604	27,281,420	1,950,481	87,576,597

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March

	Notes	2010		2009	
		US \$	RUPEES	US \$	RUPEES
Continuing Operation					
Revenue		3,234,825	153,460,098	4,214,723	193,877,258
Cost of Revenue	10	(2,840,801)	(134,767,599)	(3,910,844)	(179,898,824)
Gross Profit		394,024	18,692,499	303,879	13,978,434
Salaries and benefits		(13,780)	(653,723)	(12,452)	(572,792)
Administrative Expenses		(133,026)	(6,310,753)	(121,625)	(5,594,750)
Depreciation		(1,049)	(49,765)	(862)	(39,652)
Results from operating activities		246,169	11,678,258	168,940	7,771,240
Profits for the year		246,169	11,678,258	168,940	7,771,240
Other comprehensive Income		0	—	0	—
Total comprehensive income for the year		246,169	11,678,258	168,940	7,771,240
Profit attributable to:					
Shareholder		246,169	11,678,258	168,940	7,771,240
Non controlling interest		0	—	0	—
Profit for the year		246,169	11,678,258	168,940	7,771,240
Total comprehensive income attributable to:					
Shareholder		246,169	11,678,258	168,940	7,771,240
Non controlling interest		0	—	0	—
Total comprehensive income for the year		246,169	11,678,258	168,940	7,771,240

These financial statements on pages from 54 to 60 are approved on April 25, 2010 and signed by

On behalf of the Board
Mr. Anurag Godha
Director

CASH FLOW STATEMENT

Year Ended : March 31, 2010

	01.04.2009 to 31.3.2010		01.04.2008 to 31.3.2009	
	US \$	RUPEES	US \$	RUPEES
i. Cash Flow from Operating Activities				
Net Profit	246,169	11,052,988	168,940	8,568,637
Adjustments :				
Depreciation	1,049	47,100	862	43,721
Operating profit before changes in Operating Assets and Liabilities	247,218	11,100,088	169,802	8,612,358
Changes in Inventories	(38,969)	(1,749,708)	300,984	15,265,908
Change in Trade and other receivables	(181,060)	(8,129,594)	(8,122)	(411,948)
Change in Deposits, Advances and Prepayments	20,979	941,957	(4,204)	(213,227)
Change in Trade and other Payables	(57,682)	(2,589,922)	(447,615)	(22,703,033)
Change in Advance received from customers	(23,704)	(1,064,310)	(3,827)	(194,105)
Change in Provisions and Accruals	(82)	(3,682)	1,648	83,587
Net Cash (used in) / flow from Operating Activities	(33,300)	(1,495,171)	8,666	439,540
ii. Cash Flow from Investing Activities				
Purchase of property, plant and equipment	(899)	(40,365)	0	0
Net Cash used in Investing Activities	(899)	(40,365)	0	0
iii. Cash Flow from Financing Activities				
Loans from shareholder	(13,758)	(617,734)	(37,448)	(1,899,363)
Net Cash used in Financing Activities	(13,758)	(617,734)	(37,448)	(1,899,363)
Decrease in Cash and Cash Equivalents (i + ii + iii)	(47,957)	(2,153,270)	(28,782)	(1,459,823)
Cash and Cash Equivalents as at 01.4.2009 (Note 3g, 8)	59,361	2,665,309	88,143	4,470,613
Cash and Cash Equivalents as at 31.3.2010 (Note 3g, 8)	11,404	512,039	59,361	3,010,790
Supplemental Cash Flow Statement Information Non-Cash transactions	Nil	Nil	Nil	Nil

ACCOUNTING POLICIES AND EXPLANATORY NOTES

Year Ended : March 31, 2010

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 No. G50A, Gold and Diamond Park, Sheikh Zayed Road, Dubai, U.A.E. However, the company has released the office as the management has decided to wind up the company.

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. Going Concern

The management has passed the resolution on January 27, 2010 for winding up the company and cancelling the trade

licence issued by Jebel Ali Free Zone Authority. The company has already submitted application to the authority to cancel the trade licence of the company. As on the financial position date, the cancellation procedure is in the process. No adjustment to the value of assets and liabilities is necessary since all the assets and liabilities are being taken over by another entity at book value.

c. Business Activities

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

d. Management

The company is managed by following board of directors:

1. Mr.Pradeepkumar Godha
2. Mr. Anurag Godha

2. Basis of Preparation**a. Statement of compliance**

The financial statements have been prepared in accordance with International financial Reporting Standards (IFRSs).

b. Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit and loss account.

c. Functional and presentation currency

The financial statements are presented in U.S. Dollars, which is the Company's functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest dollars.

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d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

3. Significant accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the company.

a. Foreign Currency**Foreign currency transactions**

Transactions in foreign currencies are translated to functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b. Financial Instruments**i. Non Derivative Financial Assets**

The company initially recognises loans and receivable and deposits on the date that they are originated.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and when only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company has the following non-derivative financial assets:

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active

market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivable comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts and bank fixed deposits free from lien with a maturity date of six months or less from the date of deposit.

ii. Non Derivative Financial Liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

The company has the following non-derivative financial liabilities; trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

c. Property, Plant and Equipment**i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii. Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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iii. Depreciation

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 their expected useful lives as under:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d. Impairment**i. Financial Assets (including receivables)**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non Financial Assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or components of assets (the "cash-generating unit, or CGU")

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (company or units) on a pro rata basis.

e. Revenue Recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the company, the amount of the revenue can be measured reliably, delivery has taken place and transfer of risks and rewards has been completed. Revenue from service is recognised with reference to the stage of completion, which can be measured reliably.

f. Inventories

Inventories have been valued at lower of cost and net realisable value. Cost is determined by First in First out (FIFO) method. Cost includes purchase value and other expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of selling expenses.

g. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts and bank fixed deposits free from lien with a maturity date of six months or less from the date of deposit.

h. 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.

Provision for employee entitlements to terminal benefits, leave salary and air passage to their home country as a result of services rendered by employees are not provided and these are recognised as and when paid by the company.

4. Determination of fair values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purpose based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an

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arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of freehold property, fixtures and equipments is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

ii. Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

iii. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management Overview

The company has exposure to the following risks from its use of financial instruments.

Credit Risk

Liquidity Risk

Market Risk

Operational Risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

a. Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade and other receivables.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the customer base including the default risk of the industry and country in which customer operates. Credit policy and benchmark creditworthiness established by the management is reviewed at frequent intervals.

b. Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The company has a commitment from its shareholders of a continuous support in terms of cash flow management.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to

manage and control market risk exposures within acceptable parameters, while optimizing the return.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

d. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- * requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- * requirements for reconciliation and monitoring of transactions.
- * compliance with regulatory and other legal requirements.
- * documentation of controls and procedures.
- * requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- * requirements for the reporting of operational losses and proposed remedial action.
- * development of contingency plans.
- * training and professional development.
- * ethical and business standards.
- * risk mitigation, including insurance where this is effective.

	2010		2009	
	US \$	RUPEES	US \$	RUPEES
6. Inventories				
Diamond Jewellery	<u>1,634,668</u>	<u>73,396,593</u>	<u>1,595,699</u>	<u>80,933,853</u>
7. Trade and other receivables				
Trade Receivables	1,215,101	54,558,035	1,128,797	57,252,584
Other Receivables	96,118	4,315,698	1,362	69,081
	<u>1,311,219</u>	<u>58,873,733</u>	<u>1,130,159</u>	<u>57,321,665</u>
8. Cash and Bank Balances				
Cash on hand	2,185	98,107	0	0
Balances with Bank in :				
- Current Account	9,219	413,933	59,361	3,010,790
	<u>11,404</u>	<u>512,040</u>	<u>59,361</u>	<u>3,010,790</u>
9. Trade and other payables				
Trade Payables	<u>990,926</u>	<u>44,492,577</u>	<u>1,048,608</u>	<u>53,185,398</u>
10. Cost of Sales				
Inventory as at 01.04.2009	1,595,699	80,933,853	1,896,683	76,094,922
Purchases and Direct Expenses	2,879,770	127,230,339	3,609,860	184,737,755
Inventory as at 31.3.2010	(1,634,668)	(73,396,593)	(1,595,699)	(80,933,853)
	<u>2,840,801</u>	<u>134,767,599</u>	<u>3,910,844</u>	<u>179,898,824</u>

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11. Related Party Transactions

Related parties represent shareholders, directors and key management personnel of the company and companies of which they are principal owners. The terms of transactions are not significantly different from those that could have been obtained from third parties. All the transactions are carried out at arm's length.

The summary of transactions entered into during the year and balances with related parties as at March 31, 2010 are as under:

i. Shantivijay Jewels Ltd. - Mumbai, India.

	2010		2009	
	US \$	RUPEES	US \$	RUPEES
Purchases	178,960	8,761,793	247,150	10,235,326
Sales	0	-	191,000	7,725,950
Trade Payables	39,285	1,763,897	71,501	3,626,480

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

Shareholder's loan	607,604	27,281,420	621,362	31,515,481
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iii. Shantivijay Impex DMCC, U.A.E. - Under Incorporation

Other Receivables	96,118	4,315,698	1,362	69,081
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12. Financial Instruments

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

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

Financial assets of the company are cash, bank accounts, trade and other receivables, deposits and advances. Financial liabilities are trade and other payables, advances from customers, provisions and accruals.

a. Fair Values

The fair values of financial assets and financial liabilities approximate their carrying values.

b. Credit Risk, Interest Rate Risk, Exchange Rate Risk and Liquidity Risk Exposure**i. Credit Risk**

Financial assets which potentially expose the organisation to concentration of credit risk comprises principally of bank balances and trade and other receivables.

- a. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was :

Carrying Amount	31.03.2010		31.03.2009	
	US \$	RUPEES	US \$	RUPEES
Loans and receivables	1,318,936	59,220,226	1,158,855	58,777,126

- b. As on March 31, 2010, top five trade receivables balances represents 89.47% of the total value of trade receivables outstanding (as at March 31, 2009 - 92.44%).

Country-wise breakup of trade receivables in %:

Country	As at	
	31.03.2010	31.03.2009
Spain	26.94%	33.43%
U.A.E.	17.25%	18.69%
Saudi Arabia	25.31%	17.24%
Japan	18.66%	19.02%
UK	0.00%	5.60%
Others	11.84%	6.02%
Total	100.00%	100.00%

- c. **Impairment Loss** - Based on historic default rates, the company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by upto 180 days. All trade receivable balances relates to customers that have a good payment record with the company.

- d. The bank accounts are placed with high credit quality financial institutions.

ii. Interest Rate Risk

Interest rates on company's existing funded facilities are at fluctuating rates generally available in U.A.E.

iii. Exchange Rate Risks

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

iv. Liquidity Risk

The following are the contractual maturities of financial liabilities.

As on March 31, 2010

	Carrying Amount		Contractual Cash Flows		6 months or less		Above 6 months	
	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Non-Derivative financial liabilities								
Trade and other payables	1,016,889	45,658,316	1,016,889	45,658,316	1,016,889	45,658,316	0	0
Derivative financial liabilities	0	0	0	0	0	0	0	0
Total financial liabilities	1,016,889	45,658,316	1,016,889	45,658,316	1,016,889	45,658,316	0	0

As on March 31, 2009

	Carrying Amount		Contractual Cash Flows		6 months or less		Above 6 months	
	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Non-Derivative financial liabilities								
Trade and other payables	1,098,357	49,316,229	1,098,357	49,316,229	1,098,357	49,316,229	0	0
Derivative financial liabilities	0	0	0	0	0	0	0	0
Total financial liabilities	1,098,357	49,316,229	1,098,357	49,316,229	1,098,357	49,316,229	0	0

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13. Significant Events occurring after the Financial Position date

As on the signing date, the cancellation procedure by the Jabel Ali Free Zone Authority for cancellation of licence is in the process.

14. Number of Personnel

	<u>31.03.2010</u>	<u>31.03.2009</u>
Director	1	1
Sales	1	1
	<u>2</u>	<u>2</u>

15. 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.

16. 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.

Property, Plant and Equipment - Schedule

Year Ended : March 31, 2010

Particulars	Furnitures, Fixtures & Office Equipments Total	
	US \$	RUPEES
Rate of Depreciation	25%	
Cost		
As at 01.04.2009	12,530	562,597
Additions	899	40,365
As at 31.03.2010	<u>13,429</u>	<u>602,962</u>
Depreciation		
As at 01.04.2009	10,018	449,808
For the year	1,049	47,100
As at 31.03.2010	<u>11,067</u>	<u>496,908</u>
Net Value		
As at 31.03.2010	<u>2,362</u>	<u>106,054</u>

Year Ended : March 31, 2009

Particulars	Furnitures, Fixtures & Office Equipments Total	
	US \$	RUPEES
Rate of Depreciation	25%	
Cost		
As at 01.04.2008	12,530	635,522
Additions	0	0
As at 31.03.2009	<u>12,530</u>	<u>635,522</u>
Depreciation		
As at 01.04.2008	9,156	464,392
For the year	862	43,721
As at 31.03.2009	<u>10,018</u>	<u>508,113</u>
Net Value		
As at 31.03.2009	<u>2,512</u>	<u>127,409</u>

Other Informations

Year Ended : March 31, 2010

1. Financial Information

● **Significant Values and Ratios :**

Ratios	1.4.2009 to 31.3.2010	1.4.2008 to 31.3.2009
Gross Profit (%)	12.18	7.21
Net Profit (%)	7.61	4.01
Current Ratio	2.92	2.56
Debtors collection (Days)	137	98
Inventories holding period (Days)	210	149
Return on Average Investment (%)	13.42	10.22

● **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, 2010.

Results and Dividends

There is no operations in the company during the year.

Review of the Business

Shantivijay Impex DMCC is under incorporation as on the financial position date.

Significant Events occurring after the financial position date

Dubai Multi Commodities Centre (DMCC) Authority has issued trading license on April 13, 2010 having license No. DMCC-31348 for trading in Diamonds, precious stones and diamonds jewellery.

Sd/-

Authorised Signatory

Date: April 25, 2010.

Independent Auditor's Report to the Shareholder of SHANTIVIJAY IMPEX DMCC (UNDER INCORPORATION)

P.O. Box - 123909, Dubai Multi Commodities Centre, Dubai, United Arab Emirates

We have audited the accompanying financial statements of **SHANTIVIJAY IMPEX DMCC (Under Incorporation - "the company")**, which comprise the statement of financial position as at March 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes as set out on page - 4 to 15. (pages from 61 to 64 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, 2010 and of its financial performance and its cash flows for the period from April 1, 2009 to March 31, 2010, 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.

N.R. Doshi & Co.
Chartered Accountants
Dubai, United Arab Emirates
Date : April 25, 2010.

STATEMENT OF FINANCIAL POSITION AS AT 31 ST MARCH

	Notes SCH	2010		2009	
		US \$	RUPEES	US \$	RUPEES
Assets					
Property, plant and equipment	SCH	165,859	7,447,051	140,518	7,127,073
Total Non-current assets		<u>165,859</u>	<u>7,447,051</u>	<u>140,518</u>	<u>7,127,073</u>
Deposits, advances and prepayments		3,135	140,740	0	0
Cash and bank balance	6	54,496	2,446,866	0	0
Total Current assets		<u>57,630</u>	<u>2,587,606</u>	<u>0</u>	<u>0</u>
Total Assets		<u>223,489</u>	<u>10,034,657</u>	<u>140,518</u>	<u>7,127,073</u>
Equity					
Share Capital	1a	0	0	0	0
Shareholder's Loan account	7	140,518	6,309,258	140,518	7,127,073
Retained earnings		(13,829)	(620,902)	(2,043)	(103,621)
Total equity attributable to equity holders of the company		<u>126,689</u>	<u>5,688,356</u>	<u>138,475</u>	<u>7,023,452</u>
Total Equity		<u>126,689</u>	<u>5,688,356</u>	<u>138,475</u>	<u>7,023,452</u>
Liabilities					
Other payables	7	96,118	4,315,697	1,362	69,081
Provisions and accruals		681	30,586	681	34,540
Total Current Liabilities		<u>96,799</u>	<u>4,346,283</u>	<u>2,043</u>	<u>103,621</u>
Total Liabilities		<u>96,799</u>	<u>4,346,283</u>	<u>2,043</u>	<u>103,621</u>
Total Equity and Liabilities		<u>223,489</u>	<u>10,034,657</u>	<u>140,518</u>	<u>7,127,073</u>

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgement underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements on pages 4 to 15 (pages from 61 to 64 of this Annual Report) are approved on April 25, 2010 and signed by

Sd/-

Authorised Signatory

Date: April 25, 2010

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 st March**

	2010		2009	
	US \$	RUPEES	US \$	RUPEES
Continuing Operation				
Revenue	0	0	0	0
Cost of Revenue	0	0	0	0
Gross Profit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Administrative Expenses	(11,786)	(559,128)	(1,362)	62,652
Loss for the year	<u>(11,786)</u>	<u>(559,128)</u>	<u>(1,362)</u>	<u>62,652</u>
Other comprehensive Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income for the year	<u>(11,786)</u>	<u>(559,128)</u>	<u>(1,362)</u>	<u>62,652</u>
Loss attributable to:				
Shareholder	(11,786)	(559,128)	(1,362)	62,652
Non controlling interest	0	0	0	0
Loss for the year	<u>(11,786)</u>	<u>(559,128)</u>	<u>(1,362)</u>	<u>62,652</u>
Total comprehensive income attributable to:				
Shareholder	(11,786)	(559,128)	(1,362)	62,652
Non controlling interest	0	0	0	0
Total comprehensive income for the year	<u>(11,786)</u>	<u>(559,128)</u>	<u>(1,362)</u>	<u>62,652</u>

These financial statements on pages - 4 to 21 (pages from 61 to 64 of this Annual Report) are approved on April 25, 2010 and signed by

Sd/-

Authorised Signatory

Date : April 25, 2010

STATEMENT OF CHANGES IN EQUITY

Year Ended : March 31, 2010

	Share Capital	Retained Earnings		Shareholder's Loan		Total	
		US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Balance as at 01.04.2008	0	(681)	(30,577)	123,613	5,550,224	122,932	5,519,647
Profit or loss	0	(1,362)	(61,154)	0	0	(1,362)	(61,154)
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income for the year	0	(1,362)	(61,154)	0	0	(1,362)	(61,154)
Transaction with owners recorded directly in Equity							
Funds Introduced (net)	0	0	0	16,905	759,035	16,905	759,035
Balance as at 31.03.2009	0	(2,043)	(91,731)	140,518	6,309,258	138,475	6,217,528
Profit or loss	0	(11,786)	(529,172)	0	0	(11,786)	(529,172)
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income for the year	0	(11,786)	(529,172)	0	0	(11,786)	(529,172)
Transaction with owners recorded directly in Equity							
Funds Introduced (Net)	0	0	0	0	0	0	0
Balance as at 31.03.2010	0	(13,829)	(620,902)	140,518	6,309,258	126,689	5,688,356

STATEMENT OF CASH FLOW

For the year ended 31 st March

	31.03.2010		31.03.2009	
	US \$	RUPEES	US \$	RUPEES
I. Cash Flow from Operating Activities				
Net Loss	(11,786)	(529,172)	(1,362)	(69,081)
Adjustments :				
Depreciation	0	0	0	0
Operating Cash loss before changes in Operating Assets and Liabilities	(11,786)	(529,172)	(1,362)	(69,081)
Changes in Deposits, advances and prepayments	(3,135)	(140,740)	0	0
Changes in Provisions and accruals	0	0	681	34,541
Net Cash used in Operating Activities	(14,920)	(669,911)	(681)	(34,540)
II. Cash Flow from Investing Activities				
Payment of Capital work in progress	0	0	(16,905)	(857,422)
Increase in Property, plant and equipments	(25,341)	(1,137,793)	0	0
Net Cash used in Investing Activities	(25,341)	(1,137,793)	(16,905)	(857,422)
III. Cash Flow from Financing Activities				
Loan introduced (net)	0	0	16,905	857,422
Increase in other payables	94,756	4,254,544	681	34,540
Net Cash flow from Financing Activities	94,756	4,254,544	17,586	891,962
Increase in Cash and Cash Equivalents	54,496	2,446,848	0	0
Cash and Cash Equivalents as at 01.04.2009 (Note 3d, 6)	0	0	0	0
Cash and Cash Equivalents as at 31.03.2010 (Note 3d, 6)	54,496	2,446,848	0	0
Supplemental Cash Flow Statement Information				
Non-Cash transactions	Nil	Nil	Nil	Nil

Accounting Policies and Explanatory Notes

Year Ended : March 31, 2010

1. Legal Status

The company is under incorporation with Dubai Multi Commodities Centre (DMCC) Authority as on the date of financial position. However, the authority has issued trading license on April 13, 2010 having license No. DMCC-31348 for trading in Diamonds, precious stones and diamonds jewellery.

2. Basis of Preparation
a. Statement of compliance

The financial statements have been prepared in accordance with International financial Reporting Standards (IFRSs).

b. Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit and loss account.

c. Functional and presentation currency

The financial statements are presented in U.S. Dollars, which is the Company's functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest dollars.

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

3. Significant accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the company.

a. Foreign Currency
Foreign currency transactions

Transactions in foreign currencies are translated to functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments

during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b. Financial Instruments

i. Non Derivative Financial Assets

The company initially recognises deposits on the date that they are originated.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and when only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company has the following non-derivative financial assets:

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts and bank fixed deposits free from lien with a maturity date of six months or less from the date of deposit.

ii. Non Derivative Financial Liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

The company has the following non-derivative financial liabilities; other payables and provisions and accruals.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

c. Property, Plant and Equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii. Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation on assets is not charged as assets are not put to use.

Freehold Property	- 5% per annum
Furniture fixture and office equipments	- 20% per annum

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.

4. Determination of fair values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purpose based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of freehold property, fixtures and equipments is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

	2010		2009	
	US \$	RUPEES	US \$	RUPEES
5. Capital Work in Progress				
Balance as at 01.04.2009	0	0	123,613	6569664
Addition during the year	0	0	16,905	857,422
Transfer to Property Plant & Equipment	0	0	(140,518)	(7,127,086)
Balance as at 31.03.2010	0	0	0	0
6. Cash and bank balance				
Balance with bank	54,496	2,446,866	0	0
	54,496	2,446,866	0	0

7. Related Party Transactions

Related parties represent shareholders, directors and key management personnel of the company and companies of which they are principal owners. The terms of transactions are not significantly different from those that could have been obtained from third parties. All the transactions are carried out at arm's length.

The summary of transactions entered into during the year and balances with related parties as at March 31, 2010 are as under:

	2010		2009	
i. Shantivijay Jewels International Ltd., Mauritius.				
Shareholder's Account	140,518	6,309,258	140,518	7,127,086
ii. Shantivijay impex FZCO, U.A.E.				
Other payables	96,118	4,315,697	1,362	69,081

8. Significant Events occurring after the financial position date

The company has received trade license on April 13, 2010 from Dubai Multi Commodities Centre Authority. Hence the company is a going concern in the future.

9. 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.

PROPERTY, PLANT AND EQUIPMENT - SCHEDULE

Year Ended : March 31, 2010

Particulars	Furnitures, fixtures and office equipment		Freehold Property		Total	
	US \$	RUPEES	US \$	RUPEES	US \$	RUPEES
Rate of Depreciation	20%		5%			
Cost						
As at 01.04.2009	0	0	140,518	6,309,258	140,518	6,309,258
Additions	25,341	1,137,793	0	0	25,341	1,137,793
Transfer from Capital Work in Progress	0	0	0	0		
As at 31.03.2010	<u>25,341</u>	<u>1,137,793</u>	<u>140,518</u>	<u>6,309,258</u>	<u>165,859</u>	<u>7,447,051</u>
Depreciation						
As at 01.04.2009	0	0	0	0	0	0
For the year	0	0	0	0	0	0
As at 31.03.2010	0	0	0	0	0	0
Net Value						
As at 31.03.2010	<u>25,341</u>	<u>1,137,793</u>	<u>140,518</u>	<u>6,309,258</u>	<u>165,859</u>	<u>7,447,051</u>

Note: Depreciation on Freehold property and Furnitures, fixtures and office equipments is not charged as the property is not put to use.

PROPERTY, PLANT AND EQUIPMENT - SCHEDULE

Year Ended : March 31, 2009

Particulars	Freehold Property		Total	
	US \$	RUPEES	US \$	RUPEES
Rate of Depreciation	5%			
Cost				
As at 01.04.2008	0	0	0	0
Additions	0	0	0	0
Transfer from Capital Work in Progress	140,518	7,127,086	140,518	7,127,086
As at 31.03.2009	<u>140,518</u>	<u>7,127,086</u>	<u>140,518</u>	<u>7,127,086</u>
Depreciation				
As at 01.04.2008	0	0	0	0
For the year	0	0	0	0
As at 31.03.2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Value				
As at 31.03.2009	<u>140,518</u>	<u>7,127,086</u>	<u>140,518</u>	<u>7,127,086</u>

Note: Depreciation on Freehold property is not charged as the property is not put to use. It represents payment made against freehold properties in DMCC.

SHANTI VIJAY JEWELS LIMITED

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

THIRTY SEVENTH ANNUAL GENERAL MEETING 10TH AUGUST, 2010

ADMISSION SLIP

Folio No./Client ID

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

I hereby record my presence at the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company being held at G-37, Gem & Jewellery Complex, Bldg, No. III. SEEPZ, Andheri (E), Mumbai-400 096 on Tuesday 10th August, 2010 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 the attendance slip and hand it over at the ENTRANCE OF THE HALL.

_____ (Tear Here) _____

SHANTI VIJAY JEWELS LIMITED

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

THIRTY SEVENTH ANNUAL GENERAL MEETING 10TH AUGUST, 2010

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 SEVENTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday 10th August, 2010 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)