



SHRENUJ & COMPANY LIMITED

(Reports and Accounts of Subsidiary Companies)

Financial Year
2007-2008

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ASTRAL HOLDING INC

BALANCE SHEET AS AT 31ST MARCH 2008

LIABILITIES	SCHEDULE	USD	INR
SHARE CAPITAL	A	5810714	233067739
RESERVES & SURPLUS	B	(1478438)	(59300148)
SECURED LOANS	C	9000000	360990000
UNSECURED LOANS	D	11653175	467408849
		<u>24985451</u>	<u>1002166440</u>
ASSETS			
INVESTMENTS	E	22287060	893933977
CURRENT ASSETS, LOANS & ADVANCES	F		
Cash & Bank Balances		269520	10810447
Loans & Advances		3190259	127961288
		<u>3459779</u>	<u>138771736</u>
CURRENT LIABILITIES & PROVISIONS	G		
Current Liabilities		(846713)	(33961658)
NET CURRENT ASSETS		2613066	104810077
PRELIMINARY EXPS NOT W/OFF		85325	3422386
		<u>24985451</u>	<u>1002166440</u>

PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	USD	INR
INCOME		
Sales and Services	-	-
Other Income	-	-
EXPENDITURE		
Manufacturing & Other Expenses	72,407	2904245
Interest	188,178	7547820
	<u>260,585</u>	<u>10452064</u>
PROFIT BEFORE TAXATION	(260,585)	(10452064)
Less: Provision for Taxation - Current	-	-
Provision for Deferred Taxation	-	-
PROFIT AFTER TAXATION	(260,585)	(10452064)
Add: Balance Brought Forward	-	-
Excess provision for taxation in respect of previous years written back	-	-
	<u>(260,585)</u>	<u>(10452064)</u>
APPROPRIATION		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Tax on Proposed Dividend	-	-
Balance carried to Balance Sheet	(260,585)	(10452064)
	<u>(260,585)</u>	<u>(10452064)</u>

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH 2008

	USD	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up		
Fully paid up	5810714	233067739
	<u>5810714</u>	<u>233067739</u>
SCHEDULE 'B' - Reserve and Surplus		
Capital Reserve	(1217853)	(48848084)
Surplus in P&L A/c.	(260585)	(10452064)
	<u>(1478438)</u>	<u>(59300148)</u>
SCHEDULE 'C' - Secured Loans		
Term Loan from Bank	9000000	360990000
	<u>9000000</u>	<u>360990000</u>
SCHEDULE 'D' - Unsecured Loans		
Short term Loans & Advance from: Inter-Corporate Deposit	11653175	467408849
	<u>11653175</u>	<u>467408849</u>
SCHEDULE 'E' - Investments	22287060	893933977
SCHEDULE 'F' - Current Assets, Loans & Advances		
A Balances with Scheduled Banks		
Current Accounts	269520	10810447
	<u>269520</u>	<u>10810447</u>
B. Loans & Advances		
Due from Subsidiary Company	2833400	113647674
Advances recoverable in cash or in kind or for value to be received	356859	14313614
	<u>3190259</u>	<u>127961288</u>
TOTAL (A) + (B)	<u>3459779</u>	<u>138771736</u>
SCHEDULE 'G' - Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
Sundry Creditors/Related parties	755800	30315138
Interest accrued & not due	90913	3646520
	<u>846713</u>	<u>33961658</u>

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	USD	INR
Other Expenses:		
Insurance	-	-
Other Repairs	-	-
Legal & Professional Charges	46,145	1850876
Miscellaneous Expenses	21,587	865855
Preliminary expenses w/off	4,675	187514
	<u>72,407</u>	<u>2904245</u>
Total	72,407	2904245
Interest		
To Banks	264,142	10594736
Less interest received	(75,964)	(3046916)
	<u>188,178</u>	<u>7547820</u>
TOTAL	260,585	(10452064)
Net profit after tax	(260,585)	(10452064)
Balance Available for appropriation	(260,585)	(10452064)

(Exchange rate used for translation 1 USD = INR 40.11)



ASTRAL JEWELS LLC

BALANCE SHEET AS AT 31ST MARCH, 2008

LIABILITIES	SCHEDULE	USD	INR
SHARE CAPITAL	A	230000	9225300
RESERVES & SURPLUS	B	(323731)	(12984850)
UNSECURED LOANS	C	8300	332913
TOTAL		(85431)	(3426637)
ASSETS			
FIXED ASSETS	D		
Gross Block		45972	1843937
Less: Depreciation		10655	427372
Net Block		35317	1416565
CURRENT ASSETS, LOANS & ADVANCES	E		
Inventories		1779492	71375424
Sundry Debtors		1179418	47306456
Cash & Bank Balances		350468	14057271
Loans & Advances		14021	562382
		3323399	133301534
CURRENT LIABILITIES & PROVISIONS	F		
Current Liabilities		(3424147)	(137342536)
Provisions		(20000)	(802200)
		(3444147)	(138144736)
NET CURRENT ASSETS		(120748)	(4843202)
TOTAL		(85431)	(3426637)

PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	SCHEDULE	USD	INR
INCOME			
Sales and Services	K	2680247	107504707
Other Income	L	107	4292
		2680354	107508999
EXPENDITURE			
Material Cost	M	2239378	89821452
Manufacturing & Other Expenses	N	617889	24783528
Interest	O	-	-
Depreciation		7746	310692
		2865013	114915671
PROFIT BEFORE TAXATION		(184659)	(7406672)
Less: Provision for Taxation - Current		-	-
Provision for Deferred Taxation		-	-
PROFIT AFTER TAXATION		(184659)	(7406672)
Add: Balance Brought Forward		(139072)	(5578178)
Excess provision for taxation in respect of previous years written back		-	-
Balance carried to Balance Sheet		(323731)	(12984850)

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH 2008

	USD	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up		
Fully paid up	230000	9225300
	230000	9225300
SCHEDULE 'B' - Reserve and Surplus		
Surplus in P&L A/c.	(323731)	(12984850)
	(323731)	(12984850)
SCHEDULE 'C' - Unsecured Loans		
Short term Loans & Advance from:		
Inter-Corporate Deposit	8300	332913
	8300	332913
SCHEDULE 'D' - Fixed Assets		
Cost	45972	1843937
Less: Depreciation	10655	427372
	35317	1416565
SCHEDULE 'E' - Current Assets, Loans & Advances		
A. Current Assets Inventories		
Finished Goods	1779492	71375424
	1779492	71375424
Sundry Debtors	1179418	47306456
Cash and Bank Balances		
Cash on hand	2285	91651
Balances with Scheduled Banks		
Current Accounts	348183	13965620
	350468	14057271
B. Loans & Advances		
Advances recoverable in cash or in kind or for value to be received	14021	562382
SCHEDULE 'F' - Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
Sundry Creditors/Related parties	3424147	137342536
B. PROVISIONS		
Provision for Doubtful Debts	20000	802200
TOTAL (A) + (B)	3444147	138144736

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	USD	INR
SCHEDULE 'K' - Sales		
Sales	2680247	107504707
Total	2680247	107504707
SCHEDULE 'L' - Other Income		
Sundry Receipts	107	4292
Total	107	4292
SCHEDULE 'M' - Materials Cost		
Purchase of Finished Goods	4018870	161196876
Variation in Stock		
Stock at close	1779492	71375424
Less: Stock at commencement	-	-
Materials Cost	2239378	89821452
SCHEDULE 'N' - Manufacturing & Other Expenses		
Rent	39130	1569504
Employees's Emoluments:		
Salaries, Wages, Gratuity, Bonus etc.	245614	9851578
Contribution to PF etc.		
Welfare expenses	601	24106
Selling & Distribution Expenses		
Freight & forwarding charges	21878	877527
Sales Promotion Expenses	19414	778696
Commission	8584	344304
Other Selling & Distribution Expenses	33496	1343525
Other Expenses:		
Insurance	69080	2770799
Other Repairs	98	3931
Legal & Professional Charges	24087	966130
Travelling, Conveyance and Vehicle expenses	118778	4764186
Miscellaneous Expenses	37129	1489244
Manufacturing & Other Expenses	617889	24783528
SCHEDULE 'O' - Interest		
Depreciation	7746	310692
TOTAL	2865013	114915671
Net profit after tax	(184659)	(7406672)
Surplus in Profit & Loss A/c. B/f.	(139072)	(5578178)
TOTAL	(323731)	(12984850)
Balance Available for appropriation	(323731)	(12984850)

(Exchange rate used for translation 1 USD = INR 40.11)

Astral USA INC

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	USD	INR
LIABILITIES			
SHARE CAPITAL	A	4000000	160440000
RESERVES & SURPLUS	B	(111413)	(4468775)
SECURED LOANS	C	1630000	65379300
UNSECURED LOANS	D	200000	8022000
TOTAL		5718587	229372525
ASSETS			
INVESTMENTS	E	2024273	81193590
CURRENT ASSETS, LOANS & ADVANCES	F		
Cash & Bank Balances		16690	669437
Loans & Advances		3751866	150487345
		3768556	151156782
CURRENT LIABILITIES & PROVISIONS	G		
Current Liabilities		(74242)	(2977847)
NET CURRENT ASSETS		3694314	148178935
TOTAL		5718587	229372525

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

	USD	INR
INCOME		
Sales and Services	-	-
Other Income	-	-
EXPENDITURE		
Material Cost	-	-
Manufacturing & Other Expenses	24,809	995089
Interest	-	-
Depreciation	-	-
	24,809	995089
PROFIT BEFORE TAXATION	(24,809)	(995089)
Less: Provision for Taxation - Current	-	-
Provision for Deferred Taxation	-	-
PROFIT AFTER TAXATION	(24,809)	(995089)
Add: Balance Brought Forward	(83,954)	(3367395)
Excess provision for taxation in respect of previous years written back	-	-
	(108,763)	(4362484)
APPROPRIATION		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Tax on Proposed Dividend	-	-
Balance carried to Balance Sheet	(111,413)	(4468775)
	(111,413)	(4468775)

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH 2008

	USD	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up Fully paid up	4000000	160440000
	4000000	160440000
SCHEDULE 'B' - Reserve and Surplus		
Surplus in P&L A/c.	(111413)	(4468775)
	(111413)	(4468775)
SCHEDULE 'C' - Secured Loans		
Term Loan from Bank	-	-
From Banks	1630000	65379300
From Others	1630000	65379300
SCHEDULE 'D' - Unsecured Loans		
Short term Loans & Advance from: Inter-Corporate Deposit	200000	8022000
	200000	8022000
SCHEDULE 'E' - Investments		
	2024273	81193590
SCHEDULE 'F' - Current Assets, Loans & Advances		
A Balances with Scheduled Banks Current Accounts	16690	669436
	16690	669436
B. Loans & Advances Due from Subsidiary Company Advances recoverable in cash or in kind or for value to be received	3535800	141820938
	216066	8666407
	3751866	150487345
TOTAL (A) + (B)	3768555	151156741
SCHEDULE 'G' - Current Liabilities and Provisions		
CURRENT LIABILITIES Sundry Creditors/Related parties	74242	2977847
	74242	2977847

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	USD	INR
Other Expenses:		
Insurance	-	-
Other Repairs	-	-
Legal & Professional Charges	21,923	879332
Bad Debts	-	-
Travelling, Conveyance and Vehicle expenses	-	-
Miscellaneous Expenses	2,886	115757
Total	24,809	995089
Manufacturing & Other Expenses	24,809	995089
Net profit after tax (A) - (B)	(24,809)	(995089)
Prior period expenses	(2,650)	(106292)
Minority Interest	-	-
Tax in respect of previous year	-	-
Surplus in Profit & Loss A/c. B/f.	(83,954)	(3367395)
Transfer of Profit from Divisions	-	-
TOTAL	(111,413)	(4468775)
Balance Available for appropriation	(111,413)	(4468775)

(Exchange rate used for translation 1 USD = INR 40.11)



April 21, 2008

HBK HILL, BARTH & KING LLC

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Members
Bernie's International LLC
Canfield, Ohio

We have reviewed the accompanying balance sheets of Bernie's International LLC as of March 31, 2008 and 2007 and the related statements of operations and members' equity and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Bernie's International LLC.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our reviews were made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying information on page 9, presented only for supplementary analysis purposes, has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements. Based on our reviews, we are not aware of any material modifications that should be made to such information.

HBK HILL, BARTH & KING LLC
Certified Public Accountants

BALANCE SHEETS March 31, 2008 and 2007
(See Accountants' Review Report)

	2008 US\$	2007 US\$	2008 INR	2007 INR
ASSETS				
CURRENT ASSETS				
Cash	29,041	23,876	1,164,835	957,666
Accounts receivable trade	91,449	144,181	3,668,019	5,783,100
Inventories	517,354	624,554	20,751,069	25,050,861
Prepaid expenses	3,248	3,949	130,277	158,394
TOTAL CURRENT ASSETS	641,092	796,560	25,714,200	31,950,021
PROPERTY AND EQUIPMENT				
Fixtures and equipment	34,448	34,448	1,381,709	1,381,709
Vehicles	10,731	10,731	430,420	430,420
	45,179	45,179	1,812,129	1,812,129
Less accumulated depreciation	19,168	12,010	768,827	481,720
NET PROPERTY AND EQUIPMENT	26,011	33,169	1,043,301	1,330,408
OTHER ASSET				
Goodwill	100,000	100,000	4,011,000	4,011,000
	100,000	100,000	4,011,000	4,011,000
	767,103	929,729	30,768,502	37,291,430
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable trade	22,805	25,711	914,709	1,031,268
Accrued expenses	10,850	14,494	435,194	581,354
Current portion of long-term debt	-	1,169	-	46,889
TOTAL CURRENT LIABILITIES	33,655	41,374	1,349,903	1,659,511
ACCOUNTS PAYABLE AFFILIATE	655,921	780,024	26,308,991	31,286,763
LONG-TERM DEBT	-	27,000	-	1,082,970
TOTAL LIABILITIES	689,576	848,398	27,658,894	34,029,244
MEMBERS' EQUITY	77,527	81,331	3,109,608	3,262,186
	767,103	929,729	30,768,502	37,291,430

Exchange rate used for translation 1 US\$ = INR 40.11
See accompanying notes to financial statements

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

Years ended March 31, 2008 and 2007
(See Accountants' Review Report)

	2008 US\$	2007 US\$	2008 INR	2007 INR
OPERATING INCOME				
Sales	969,924	1,202,848	38,903,652	48,246,233
Cost of sales	665,180	903,579	26,680,370	36,242,554
GROSS PROFIT	304,744	299,269	12,223,282	12,003,679
OPERATING EXPENSES	308,988	305,425	12,393,509	12,250,597
LOSS FROM OPERATIONS	(4,244)	(6,156)	(170,227)	(246,918)
OTHER INCOME AND (EXPENSE)				
Gain on sale of assets	700	-	28,077	-
Interest	(260)	(721)	(10,429)	(28,919)
	440	(721)	17,648	(28,919)
NET LOSS	(3,804)	(6,877)	(152,578)	(275,837)
MEMBERS' EQUITY				
Beginning of year	81,331	88,208	3,262,186	3,538,023
End of year	77,527	81,331	3,109,608	3,262,186

Exchange rate used for translation 1 US\$ = INR 40.11
See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS
Years ended March 31, 2008 and 2007

(See Accountants' Review Report)

	2008 US\$	2007 US\$	2008 INR	2007 INR
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(3,804)	(6,877)	(152,578)	(275,836)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	7,158	6,787	287,107	272,227
Provision for doubtful accounts	17,084	-	685,239	-
Gain on sale of assets	(700)	-	(28,077)	-
(Increase)/decrease in accounts receivable trade	35,648	(89,934)	1,429,841	(3,607,253)
Decrease in inventories	107,200	224,851	4,299,792	9,018,774
Decrease in prepaid expenses	701	39	28,117	1,564
Decrease in accounts payable trade	(2,906)	(3,763)	(116,560)	(150,934)
Increase/(decrease) in accrued expenses	(3,644)	711	(146,161)	28,518
Decrease in accounts payable affiliate	(124,103)	(79,274)	(4,977,771)	(3,179,680)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,634	52,540	1,308,949	2,107,380
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	-	(5,602)	-	(224,696)
Proceeds from sale of assets	700	-	28,077	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	700	(5,602)	28,077	(224,696)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on long-term debt	(28,169)	(40,369)	(1,129,859)	(1,619,201)
NET CASH USED IN FINANCING ACTIVITIES	(28,169)	(40,369)	(1,129,859)	(1,619,201)
NET INCREASE IN CASH	5,165	6,569	207,167	263,483
CASH				
Beginning of year	23,876	17,307	957,666	694,184
End of year	29,041	23,876	1,164,833	957,667

Exchange rate used for translation 1 US\$ = INR 40.11
See accompanying notes to financial statements

STATEMENTS OF OPERATING EXPENSES
Years ended March 31, 2008 and 2007
 (See Accountants' Review Report)

	AMOUNT (US\$)		AMOUNT (INR)		PERCENT OF SALES	
	2008	2007	2008	2007	2008	2007
Advertising	6,650	2,597	266,732	104,166	0.69	0.22
Credit card fees	12,071	14,807	484,168	593,909	1.24	1.23
Commissions	1,318	22,035	52,865	883,824	0.14	1.83
Contributions	2,289	382	91,812	15,322	0.24	0.03
Depreciation	7,158	6,787	287,107	272,227	0.74	0.56
Dues and subscriptions	525	647	21,058	25,951	0.05	0.05
Employee benefits	9,496	-	380,885	-	0.98	0.00
Insurance	9,856	7,933	395,324	318,193	1.02	0.66
Licenses and permits	-	1,235	-	49,536	-	0.10
Office	3,094	7,053	124,100	282,896	0.32	0.59
Outside services	47,060	44,917	1,887,577	1,801,621	4.85	3.73
Payroll	89,846	73,740	3,603,723	2,957,711	9.26	6.13
Payroll managing member	40,000	40,000	1,604,400	1,604,400	4.12	3.33
Payroll taxes	10,185	12,395	408,520	497,163	1.05	1.03
Professional fees	8,015	12,970	321,482	520,227	0.83	1.08
Provision for doubtful accounts	17,084	-	685,239	-	1.76	-
Rent	18,891	25,375	757,718	1,017,791	1.95	2.11
Supplies	1,251	4,388	50,178	176,003	0.13	0.36
Taxes	7,445	12,137	298,619	486,815	0.77	1.01
Telephone	4,138	4,471	165,975	179,332	0.43	0.37
Travel and entertainment	4,295	4,790	172,272	192,127	0.44	0.40
Vehicle expense	8,321	6,766	333,755	271,384	0.86	0.56
TOTALS	308,988	305,425	12,393,509	12,250,598	31.87	25.38

Exchange rate used for translation 1 US\$ = INR 40.11

NOTES TO FINANCIAL STATEMENTS
March 31, 2008 and 2007
 (See Accountants' Review Report)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities:

The Company was formed in Delaware in 2005 and operates in Ohio as a wholesale jewelry outlet in Columbus, Ohio.

Accounts Receivable Trade:

Accounts receivable trade represents amounts due directly from customers. They are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, they have concluded that no allowance for doubtful accounts was necessary at March 31, 2008 and 2007.

Inventories:

Merchandise inventories are valued at the lower of cost or market which is determined by the specific identification method.

Property and Equipment:

Property and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method.

Goodwill:

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. The Company accounts for its goodwill in accordance with Statement of Financial Accounting Standards No. 142, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The evaluation is performed by comparing the carrying value of the assets to their estimated fair value including goodwill. Management determined that the carrying value of goodwill was not impaired at March 31, 2008 and 2007.

Income Taxes:

The Company is a limited liability entity and does not pay federal or state income taxes. The members proportionate share of the Company's taxable income or loss is included on their income tax returns.

Economic Dependence:

Purchases for the years ended March 31, 2008 and 2007 included purchases from one major supplier that individually accounted for substantially all of the Company's product. Management believes no risk is present under this agreement due to other suppliers being readily available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2008 and 2007
 (See Accountants' Review Report)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition:

The Company recognizes revenue from the sale of jewelry when the certificate and risks of ownership are transferred to the customer, which is upon shipment or customer pick-up.

Advertising Costs:

Advertising costs are expensed when incurred. Charges to operations amounted to \$6,650 (INR 2,66,732) in 2008 and \$2,597 (INR 1,04,166) in 2007.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - LONG-TERM DEBT

	2008 US\$	2007 US\$	2008 INR	2007 INR
Following is a summary of long-term debt:				
Note payable to bank bearing interest at 5.91%, payable in monthly installments of \$296 (INR 11,873), collateralized by vehicle.	-	1,169	-	46,889
Uncollateralized note payable to an individual bearing interest at 0%, payable in monthly installments of \$3,333 (INR 1,33,687)	-	27,000	-	10,82,970
	-	28,169	-	11,29,859
Less: Current maturities	-	1,169	-	46,889
TOTAL	-	27,000	-	10,82,970

Interest paid amounted to \$260 (INR 10,429) in 2008 and \$721 (INR 28,919) in 2007. Exchange rate used for translation 1 US\$ = INR 40.11

NOTE C - LEASES

The Company leases its retail facility under a lease agreement with options to renew. The Company also leases a vehicle under a three year lease agreement. The leases are treated as operating leases for financial statement purposes. Charges to operations amounted to \$24,231 (INR 9,71,905) in 2008 and \$30,715 (INR 12,31,979) in 2007.

Following is a summary of future minimum lease payments under operating leases that have initial or remaining noncancellable terms in excess of one year as of March 31, 2008:

YEAR ENDING	AMOUNT	
2009	\$ 16,225	(INR 6,50,785)
2010	\$ 2,387	(INR 95,743)
TOTAL	18,612	(INR 7,46,528)

Exchange rate used for translation 1 US\$ = INR 40.11

NOTE D - CONTROLLING INTEREST AND RELATED PARTY TRANSACTIONS

Controlling Interest:

Astral USA, Inc. owns 60% of the Company.

Related Party Transactions:

The Company purchases inventory from C & A Diamonds International LLC (C & A Diamonds), a related entity. Total purchases amounted to \$412,100 (INR 1,65,29,331) in 2008 and \$411,071 (INR 1,64,88,058) in 2007.

The Company also subcontracts jewelry repair services to C & A Diamonds. Total repair services amounted to \$26,870 (INR 10,77,756) in 2008 and \$20,695 (INR 8,30,076) in 2007.

The Company sold jewelry to C & A Diamonds that amounted to \$3,937 (INR 1,57,913) in 2008 and \$-0- (INR Nil) in 2007.

Due to the common control of these entities, the financial position and results of operations of the Company could be different if the entities were autonomous.

The Company is a guarantor of a bank line of credit on C & A Diamonds. The note bears interest at prime plus .50% (5.75% at March 31, 2008) and is collateralized by all Company assets. As guarantor, the Company is contingently liable for the entire loan balance totaling \$2,771,506 (INR 11,11,65,106) at March 31, 2008.

Exchange rate used for translation 1 US\$ = INR 40.11



C & A DIAMONDS INTERNATIONAL LLC
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
March 31, 2008 and 2007
(See Accountants' Review Report)

April 22, 2008

Members
C & A Diamonds International LLC
Canfield, Ohio

We have reviewed the accompanying balance sheets of C & A Diamonds International LLC as of March 31, 2008 and 2007 and the related statements of operations and members' equity and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of C & A Diamonds International LLC.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our reviews were made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying information on page 11, presented only for supplementary analysis purposes, has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. Based on our reviews, we are not aware of any material modifications that should be made to such information.

Hill, Barth & King LLC.

Certified Public Accountants

BALANCE SHEETS
March 31, 2008 and 2007
(See Accountants' Review Report)

ASSETS

	2008 US\$	2007 US\$	2008 INR	2007 INR
CURRENT ASSETS				
Cash	96,054	47,222	3,852,726	1,894,074
Accounts receivable trade	1,945,663	1,462,921	78,040,543	58,677,761
Advances to employees	85,495	48,211	3,429,204	1,933,743
Inventories	4,505,038	4,655,360	180,697,074	186,726,490
Advance payment to vendor	157,880	165,000	6,332,567	6,618,150
Prepaid expenses	104,134	86,443	4,176,815	3,467,229
TOTAL CURRENT ASSETS	6,894,264	6,465,157	276,528,929	259,317,447
PROPERTY AND EQUIPMENT				
Fixtures and equipment	345,574	323,967	13,860,973	12,994,316
Vehicles	35,550	9,145	1,425,911	366,806
	381,124	333,112	15,286,884	13,361,122
Less accumulated depreciation	120,441	64,670	4,830,889	2,593,914
NET PROPERTY AND EQUIPMENT	260,683	268,442	10,455,995	10,767,208
OTHER ASSETS				
Goodwill	1,100,000	1,100,000	44,121,000	44,121,000
Accounts receivable affiliates	1,624,565	780,024	65,161,302	31,286,763
TOTAL OTHER ASSETS	2,724,565	1,880,024	109,282,302	75,407,763
	9,879,512	8,613,623	396,267,226	345,492,418

Exchange rate used for translation 1 US\$ = INR 40.11

See accompanying notes to financial statements

LIABILITIES AND MEMBERS' EQUITY

	2008 US\$	2007 US\$	2008 INR	2007 INR
CURRENT LIABILITIES				
Note payable to bank	2,771,506	2,842,967	111,165,106	114,031,406
Accounts payable trade	469,766	323,075	18,842,314	12,958,538
Accounts payable affiliates	3,030,940	1,305,303	121,571,003	52,355,703
Accounts payable officer	10,591	31,804	424,805	1,275,658
Accrued expenses	71,984	51,514	2,887,278	2,066,227
Note payable to affiliate	2,900,000	2,900,000	116,319,000	116,319,000
Current maturities of				
long-term debt	6,116	-	245,313	-
TOTAL CURRENT LIABILITIES	9,260,903	7,454,663	371,454,819	299,006,532
LONG-TERM DEBT	16,495	-	661,614	-
TOTAL LIABILITIES	9,277,398	7,454,663	372,116,433	299,006,532
MEMBERS' EQUITY	602,114	1,158,960	24,150,793	46,485,886
	9,879,512	8,613,623	396,267,226	345,492,418

Exchange rate used for translation 1 US\$ = INR 40.11

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

Years ended March 31, 2008 and 2007

(See Accountants' Review Report)

	2008 US\$	2007 US\$	2008 INR	2007 INR
OPERATING INCOME				
Sales	5,980,460	4,759,095	239,876,251	190,887,300
Cost of sales	(5,034,153)	(3,229,969)	(201,919,877)	(129,554,057)
GROSS PROFIT	946,307	1,529,126	37,956,374	61,333,243
OPERATING EXPENSES	(1,275,777)	(1,278,656)	(51,171,415)	(51,286,892)
INCOME (LOSS)				
FROM OPERATIONS	(329,470)	250,470	(13,215,041)	10,046,351
OTHER INCOME AND (EXPENSES)				
Finance charges	41	1,387	1,645	55,633
Printing fees	324	825	12,996	33,091
Interest expense	(228,741)	(172,929)	(9,174,802)	(6,936,182)
Gain on sale of vehicle	1,000	-	40,110	-
	(227,376)	(170,717)	(9,120,051)	(6,847,458)
NET INCOME (LOSS)	(556,846)	79,753	(22,335,093)	3,198,893
MEMBERS' EQUITY				
Beginning of year	1,158,960	1,079,207	46,485,886	43,286,993
End of year	602,114	1,158,960	24,150,793	46,485,886

Exchange rate used for translation 1 US\$ = INR 40.11

STATEMENTS OF CASH FLOWS
Years ended March 31, 2008 and 2007
(See Accountants' Review Report)

	2008 US\$	2007 US\$	2008 INR	2007 INR
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(556,846)	79,753	(22,335,093)	3,198,893
Adjustments to reconcile net income / (loss) to net cash provided by (used in) operating activities:				
Depreciation	55,771	46,898	2,236,975	1,881,079
Gain on sale of vehicle	(1,000)	-	(40,110)	-
Provision for doubtful accounts	97,599	70,515	3,914,696	2,828,357
Increase in accounts receivable trade	(580,341)	(540,502)	(23,277,478)	(21,679,535)
(Increase) / decrease in accounts receivable affiliate	(844,541)	79,274	(33,874,540)	3,179,680
Increase in advances to employees	(37,284)	(48,211)	(1,495,461)	(1,933,743)
(Increase) / decrease in inventories	150,322	(868,546)	6,029,415	(34,837,380)
Increase in prepaid expenses	(17,691)	(12,297)	(709,586)	(493,233)
Increase / (decrease) in accounts payable trade	146,691	(2,788)	5,883,776	(111,827)
Increase / (decrease) in accounts payable affiliates	1,725,637	(2,733,994)	69,215,300	(109,660,499)
Decrease in accounts payable officer	(21,213)	(38,196)	(850,853)	(1,532,042)
Increase in accrued expenses	20,470	15,929	821,052	638,912
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	137,574	(3,952,165)	5,518,093	(158,521,338)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(21,607)	(12,554)	(866,657)	(503,541)
Proceeds from sale of vehicle	1,000	-	40,110	-
(Increase) / decrease in deposits	7,120	(165,000)	285,583	(6,618,150)
NET CASH USED IN INVESTING ACTIVITIES	(13,487)	(177,554)	(540,964)	(7,121,691)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from note payable to affiliate (Payments on proceeds) from short-term borrowings	-	2,440,000	-	97,868,400
Payments on long-term debt	(71,461)	1,842,967	(2,866,301)	73,921,406
	(3,794)	(301,016)	(152,177)	(12,073,752)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(75,255)	3,981,951	(3,018,478)	159,716,054
NET INCREASE (DECREASE) IN CASH	48,832	(147,768)	1,958,652	(5,926,974)
CASH				
Beginning of year	47,222	194,990	1,894,074	7,821,049
End of year	96,054	47,222	3,852,726	1,894,075
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Debt incurred for the acquisition of property and equipment	26,405	-	1,059,105	-

Exchange rate used for translation 1 US\$ = INR 40.11
 See accompanying notes to financial statements

C & A DIAMONDS INTERNATIONAL LLC
NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007
 (See Accountants' Review Report)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities:

The Company was formed in Delaware in 2005 and operates in Ohio as a jewelry wholesaler. The Company supplies retailers throughout the United States.

Accounts Receivable Trade:

Accounts receivable trade represents amounts due directly from customers. They are stated at the amount management expects to collect from balances outstanding at year end.

Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management concluded that an allowance for doubtful accounts of \$40,000 (INR 16,04,400) at March 31, 2008 and 2007 was necessary.

Inventories:

Merchandise inventories are valued at the lower of cost or market using the specific identification method.

Property and Equipment:

Property and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method.

Goodwill:

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. The Company accounts for its goodwill in accordance with Statement of Financial Accounting Standards No. 142, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The evaluation is performed by comparing the carrying value of the assets to their estimated fair value including goodwill. Management determined that the carrying value of goodwill was not impaired at March 31, 2008 and 2007.

Income Taxes:

The Company is a limited liability entity and does not pay federal or state income taxes. The members proportionate share of the Company's taxable income or loss is included on their income tax returns.

Revenue Recognition:

The Company recognizes revenue from the sale of jewelry when the certificate and risks of ownership are transferred to the customer, which is upon shipment or customer pick-up.

Advertising Costs:

Advertising costs are expensed when incurred. Charges to operations amounted to \$117,070 (INR 46,95,678) and \$143,755 (INR 57,66,013) in 2008 and 2007, respectively.

Economic Dependence:

Purchases for the years ended March 31, 2008 and 2007 included purchases from two and four major suppliers, respectively, that individually accounted for substantially all of the Company's product. Management believes no risk is present under this agreement due to other suppliers being readily available.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - NOTE PAYABLE TO BANK

The Company has a \$3,000,000 (INR 12,03,30,000) line of credit of which \$2,771,506 (INR 11,11,65,106) and \$2,842,967 (INR 11,40,31,406) was outstanding at March 31, 2008 and 2007, respectively. The line of credit consisted of a bank promissory note payable, bearing interest at prime plus .50% (5.75% and 8.75% at March 31, 2008 and 2007), payable upon demand. The note is collateralized by accounts receivable, inventory, property and equipment and an assignment of a life insurance policy on a member and various guaranties.

Interest paid amounted to \$228,741 (INR 91,74,802) and \$172,929 (INR 69,36,182) in 2008 and 2007, respectively.

NOTE C - NOTE PAYABLE TO AFFILIATE

Note payable to affiliate consisted of unsecured non-interest bearing advances from Astral USA, Inc., a member of the Company.

NOTE D - LEASES

The Company leases various equipment on a month to month basis, its facilities from a related partnership under a five year lease agreement. The leases are classified as operating leases for financial statement purposes. Charges to operations amounted to \$57,863 (INR 23,20,885) and \$50,124 (INR 20,10,474) in 2008 and 2007, respectively.

The Company leases its office facility on a month-to-month basis from M & M Holding Company, a related partnership. Charges to operations amounted to \$48,000 (INR 19,25,280) in 2008 and 2007.

Following is a summary of future minimum lease payments under operating leases that have initial or remaining non-cancellable terms in excess of one year as of March 31, 2008:

YEAR ENDING	AMOUNT (\$)	AMOUNT (INR)
2009	\$50,124	INR 20,10,474
2010	6,124	2,45,634
2011	531	21,298
TOTAL	\$ 56,779	INR 22,77,406

(Exchange rate used for translation 1 US\$ = INR 40.11)



NOTE E - CONTROLLING INTEREST AND RELATED PARTY TRANSACTIONS

Controlling Interest:

Astral USA, Inc. owns 60% of the Company.

Related Party Transactions:

The Company sells merchandise to Bernie's International LLC, a related entity. Sales amounted to \$412,100 (INR1,65,29,331) and \$411,071 (INR1,64,88,058) in 2008 and 2007, respectively. The Company also subcontracts most of the jewelry repairs for Bernie's International LLC which amounted to \$26,870 (INR10,77,756) and \$20,695 (INR8,30,076) in 2008 and 2007, respectively.

Purchases and related accounts payable with related entities are as follows as of March 31, 2008 and 2007:

COMPANY	US\$	2008		2007	
		PURCHASES	ACCOUNTS PAYABLE	PURCHASES	ACCOUNTS PAYABLE
Shrenuj & Company Limited		47,539	-	129,035	78,348
Shrenuj & Co. Ltd. (Trading Division)		-	-	156,993	2,872
Shrenuj & Co. Ltd. (Jewelry Division)		490	490	-	-
Shrenuj & Co. Ltd. (Bagging Division)		160,581	107,008	-	-
Shrenuj (Jewelry Outsourcing) Ltd.		781,493	442,355	479,455	100,321
Shrenuj Diajewels, Ltd.		2,563,466	2,462,382	2,807,267	1,123,762
Moon Diamonds Ltd.		-	-	1,825	-
Bernie's International		3,937	-	-	-
Astral Jewels USA		95,457	18,397	-	-
IJC/Simon Golub & Sons		9,308	308	-	-
TOTALS	US\$	3,662,271	3,030,940	3,574,575	1,305,303

COMPANY	INR	2008		2007	
		PURCHASES	ACCOUNTS PAYABLE	PURCHASES	ACCOUNTS PAYABLE
Shrenuj & Company Limited		1,906,789	-	5,175,594	3,142,538
Shrenuj & Co. Ltd. (Trading Division)		-	-	6,296,989	115,196
Shrenuj & Co. Ltd. (Jewelry Division)		19,654	19,654	-	-
Shrenuj & Co. Ltd. (Bagging Division)		6,440,904	4,292,091	-	-
Shrenuj (Jewelry Outsourcing) Ltd.		31,345,684	17,742,859	19,230,940	4,023,875
Shrenuj Diajewels, Ltd.		102,820,621	98,766,142	112,599,479	45,074,094
Moon Diamonds Ltd.		-	-	73,201	-
Bernie's International		157,913	-	-	-
Astral Jewels USA		3,828,780	737,904	-	-
IJC/Simon Golub & Sons		373,344	12,354	-	-
TOTALS	INR	146,893,689	121,571,004	143,303,002	52,428,904

(Exchange rate used for translation 1 US\$ = INR 40.11)

Sales and related accounts receivables with related entities are as follows as of March 31, 2008 and 2007 :

COMPANY	2008		2007		2008		2007	
	SALES	ACCOUNTS RECIEVABLE	SALES	ACCOUNTS RECIEVABLE	SALES	ACCOUNTS RECIEVABLE	SALES	ACCOUNTS RECIEVABLE
		US\$	US\$		INR	INR		INR
Shrenuj USA	971,533	968,644	-	-	38,968,189	38,852,311	-	-
Bernies International, LLC	438,971	655,921	-	-	17,607,127	26,308,991	-	-
IJC/Simon Golub & Sons	327,768	-	-	-	13,146,774	-	-	-
TOTALS	1,738,272	1,624,565	-	-	69,722,090	65,161,302	-	-

(Exchange rate used for translation 1 US\$ = INR 40.11)

Due to the common control of these entities, the financial position and results of operations of the Company could be different if the entities were autonomous.

NOTE F - CREDIT RISK

During the year, the Company periodically maintains cash deposits in financial institutions in excess of federally insured limits.

**Statements of Operating Expenses
Years ended March 31, 2008 and 2007
(See Accountants' Review Report)**

	AMOUNT (US\$)		AMOUNT (INR)		PERCENT OF SALES	
	2008	2007	2008	2007	2008	2007
Advertising	117,070	143,755	4,695,678	5,766,013	1.96	3.02
Bank fees	17,614	17,276	706,498	692,940	0.29	0.36
Commissions	211,054	177,058	8,465,376	7,101,796	3.53	3.72
Depreciation	55,771	46,898	2,236,975	1,881,079	0.93	0.99
Dues and subscriptions	5,480	5,724	219,803	229,590	0.09	0.12
Employee benefits	28,695	31,046	1,150,956	1,245,255	0.48	0.65
Equipment rental	5,041	3,467	202,195	139,061	0.08	0.07
Insurance	38,750	29,311	1,554,263	1,175,664	0.65	0.62
Office	43,642	47,032	1,750,481	1,886,454	0.73	0.99
Officers' life insurance	2,527	3,159	101,358	126,707	0.04	0.07
Outside services	47,195	28,330	1,892,991	1,136,316	0.79	0.60
Payroll	228,858	231,406	9,179,494	9,281,695	3.83	4.86
Payroll managing member	72,000	72,000	2,887,920	2,887,920	1.20	1.51
Payroll taxes	25,030	27,352	1,003,953	1,097,089	0.42	0.57
Professional fees	21,632	39,481	867,660	1,583,583	0.36	0.83
Provision for doubtful accounts	97,599	70,515	3,914,696	2,828,357	1.63	1.48
Rent	48,000	48,000	1,925,280	1,925,280	0.80	1.01
Repairs and maintenance	3,146	8,077	126,186	323,968	0.05	0.17
Security	1,815	3,115	72,800	124,943	0.03	0.07
Supplies	9,310	6,307	373,424	252,974	0.16	0.13
Taxes	8,391	50,251	336,563	2,015,568	0.14	1.06
Telephone	12,644	12,175	507,151	488,339	0.21	0.26
Trade shows	76,392	93,217	3,064,083	3,738,934	1.28	1.96
Travel and entertainment	79,650	51,642	3,194,762	2,071,361	1.33	1.09
Vehicle expense	4,606	12,015	184,747	481,922	0.08	0.25
Uninsured losses	2,432	6,930	97,548	277,962	0.04	0.15
Utilities	11,433	13,117	458,578	526,123	0.19	0.28
TOTALS	1,275,777	1,278,656	51,171,419	51,286,893	21.32	26.89

Exchange rate used for translation 1 US\$ = INR 40.11

REPORT OF THE DIRECTORS

The directors have pleasure to present their annual report and the audited financial statements for the year ended to 31st March, 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are retailing of jewellery.

FINANCIAL RESULTS AND APPROPRIATION

The results for the year ended 31st March, 2008 and the state of affairs of the Company at that date are set out on the annexed pages of the financial statements.

The directors propose no transfer to or from any reserves and no dividend is recommended.

DIRECTORS

The directors who held office during the year were:

Doshi Shreyas Kirtilal

Patel Dipan Jagdish

In accordance with the Company's Articles of Association, all directors shall retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

No contracts of significance to which the Company, its holding company or its fellow subsidiary was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company or its fellow subsidiary a party to any arrangements to enable the directors of the company to acquire benefits by means of acquisition of shares in or debenture of the company or any other body corporate.

AUDITORS

The financial statements have been audited by Messrs. Dave Kwok & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board,

Chairman.

Hong Kong, 23rd June, 2008

INDEPENDENT AUDITORS' REPORT**TO THE SHAREHOLDERS OF DAILY JEWELLERY LIMITED****(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**

We have audited the financial statements of Daily Jewellery Limited set out on annexed pages, which comprise the balance sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement 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 the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 risks 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 true 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 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 state of the company's affairs as at 31st March, 2008 and of its profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to the financial statements which indicate that the company has a net loss of HK\$4,241,283 (INR 2,18,53,635) during the year ended 31st March, 2008 and as of that date, the company's total liabilities exceeded its total assets by HK\$9,188,931 (INR 4,73,46,886). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

DAVE KWOK & CO.
Certified Public Accountants

Hong Kong, 23rd June, 2008
Exchange rate used for translation 1 HK\$ = INR 5.1526
Room 902, General Commercial Building, 156-164
Des Voeux Road, Central, Hong Kong. Tel: 2544-7751



BALANCE SHEET AT 31ST MARCH, 2008

	Note	2008		2007	
		HK\$	INR	HK\$	INR
NON-CURRENT ASSETS					
Fixed assets	8	2,077,299	10,703,491	2,679,575	15,005,620
Unlisted Investments	9	3,965	20,430	3,965	22,204
Gross Profit		<u>2,081,264</u>	<u>10,723,921</u>	<u>2,683,540</u>	<u>15,027,824</u>
CURRENT ASSETS					
Trade and other receivables	10	11,902,121	61,326,869	10,825,404	60,622,262
Inventories		26,255,974	135,286,532	27,836,642	155,885,195
Deposits		1,964,505	10,122,308	1,632,623	9,142,689
Bank balances and cash		<u>1,385,069</u>	<u>7,136,707</u>	<u>631,547</u>	<u>3,536,663</u>
		<u>41,507,669</u>	<u>213,872,416</u>	<u>40,926,216</u>	<u>229,186,809</u>
CURRENT LIABILITIES					
Trade and other payables	11	52,777,864	271,943,222	48,557,404	271,921,462
Amount due to a Shareholder		-	-	-	-
Bank Loan		-	-	-	-
Bank Overdraft		-	-	-	-
		<u>52,777,864</u>	<u>271,943,222</u>	<u>48,557,404</u>	<u>271,921,462</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(11,270,195)</u>	<u>(58,070,806)</u>	<u>(7,631,188)</u>	<u>(42,734,653)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(9,188,931)</u>	<u>(47,346,885)</u>	<u>(4,947,648)</u>	<u>(27,706,829)</u>
NON-CURRENT LIABILITIES					
Bank Loan		-	-	-	-
NET (LIABILITIES) ASSETS		<u>(9,188,931)</u>	<u>(47,346,885)</u>	<u>(4,947,648)</u>	<u>(27,706,829)</u>
CAPITAL AND RESERVES					
SHARE CAPITAL	12	5,000,000	25,763,000	5,000,000	28,000,000
ACCUMULATED LOSSES		<u>(14,188,931)</u>	<u>(73,109,886)</u>	<u>(9,947,648)</u>	<u>(55,706,829)</u>
SHAREHOLDERS' DEFICIT		<u>(9,188,931)</u>	<u>(47,346,886)</u>	<u>(4,947,648)</u>	<u>(27,706,829)</u>

Exchange rate used for translation 1 HK\$ = INR 5.1526

The annexed notes form an integral part of these financial statements.

Approved by the Board of Directors on 23rd June, 2008

DIPAN J. PATEL **SHREYAS K. DOSHI**
Director Director

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Note	2008		2007	
		HK\$	INR	HK\$	INR
TURNOVER					
Cost of Sales	3	26,173,102	134,859,525	25,158,539	140,887,818
Gross Profit		<u>(12,308,976)</u>	<u>(63,423,230)</u>	<u>(10,755,856)</u>	<u>(60,232,794)</u>
Other revenue		13,864,126	71,436,295	14,402,683	80,655,024
Administrative expenses	3	988	5,091	45,788	256,413
		<u>(17,726,763)</u>	<u>(91,338,919)</u>	<u>(18,222,348)</u>	<u>(102,045,149)</u>
LOSS FROM OPERATIONS	4	<u>(3,861,649)</u>	<u>(19,897,533)</u>	<u>(3,773,877)</u>	<u>(21,133,712)</u>
Finance costs	6	(379,634)	(1,956,102)	(2,126,175)	(11,906,580)
LOSS BEFORE TAXATION		<u>(4,241,283)</u>	<u>(21,853,635)</u>	<u>(5,900,052)</u>	<u>(33,040,292)</u>
Taxation	7	-	-	-	-
NET LOSS FOR THE YEAR		<u>(4,241,283)</u>	<u>(21,853,635)</u>	<u>(5,900,052)</u>	<u>(33,040,292)</u>

Exchange rate used for translation 1 HK\$ = INR 5.1526

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	2008		2007	
	HK\$	INR	HK\$	INR
Cash flows from operating activities				
Loss before taxation	(4,241,283)	(21,853,635)	(5,900,052)	(33,040,291)
Adjustments for:				
Depreciation	1,424,146	7,338,055	1,259,772	7,054,723
Bank interest received	(988)	-	-	-
Bank interest paid	-	-	449,206	2,515,554
Operating Loss before working capital changes	<u>(2,818,125)</u>	<u>(14,515,580)</u>	<u>(4,191,074)</u>	<u>(23,470,014)</u>
Decrease/(Increase) in trade receivable	405,695	2,090,384	(378,489)	(2,119,538)
(Increase) in other receivable	(1,401,314)	(7,220,411)	(1,051,066)	(5,885,970)
Decrease/(Increase) in prepayment	(81,098)	(417,866)	13,651	76,446
Decrease/(Increase) in inventories	1,580,668	8,144,550	(9,752,976)	(54,616,666)
(Increase)/Decrease in deposits	(331,882)	(1,710,055)	(99,953)	(559,737)
Decrease/(Increase) in trade payable	(4,288,830)	(22,098,625)	14,775,627	82,743,511
Increase in other payable	8,975,101	46,245,105	16,667,594	93,338,526
(Decrease)/Increase in accrued expenses	(465,811)	(2,400,138)	(650,188)	(3,641,053)
(Decrease) in amount due to a shareholder	-	-	(8,499,900)	(47,599,440)
Net cash generated from operating activities	<u>1,574,404</u>	<u>8,117,364</u>	<u>6,833,226</u>	<u>38,266,065</u>
Cash flows from investing activities				
Purchase of fixed assets	(821,870)	(4,234,767)	(714,314)	(4,000,158)
Sales proceeds from disposal of unlisted investment	-	-	1	6
Bank interest received	988	5,091	-	-
Bank interest paid	-	-	(449,206)	(2,515,554)
	<u>(820,882)</u>	<u>(4,229,676)</u>	<u>(1,163,519)</u>	<u>(6,515,706)</u>
Cash flows from financing activities				
Decrease in Bank loan	-	-	(6,664,000)	(37,318,400)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>(6,664,000)</u>	<u>(37,318,400)</u>
Net Increase/(Decrease) in cash and cash equivalents	<u>753,522</u>	<u>3,882,597</u>	<u>(994,293)</u>	<u>(5,568,041)</u>
Cash and cash equivalents at beginning of year	631,547	3,254,109	1,625,840	9,104,704
Cash and cash equivalents at end of the year	<u>1,385,069</u>	<u>7,136,706</u>	<u>631,547</u>	<u>3,536,663</u>
Cash and cash equivalents				
Bank balances and cash	1,385,069	7,136,706	631,547	3,536,663
Cash and cash equivalents at end of year	<u>1,385,069</u>	<u>7,136,706</u>	<u>631,547</u>	<u>3,536,663</u>

Exchange rate used for translation 1 HK\$ = INR 5.1526

The annexed notes form an integral part of these financial statements.

Approved by the Board of Directors on 23rd June, 2008

DIPAN J. PATEL **SHREYAS K. DOSHI**
Director Director

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

1. GENERAL

The company is a private limited company incorporated in Hong Kong. The registered office of the company is situated at 5/F., Kaiseng Commercial Centre, 4-6 Hankow Road, Tsimshatsui, Kowloon, Hong Kong. During the year, the Company was principally involved in retailing of jewellery.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statement have been prepared in accordance with all applicable Hong Kong Financial Reporting Standard (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows.

(b) Basis of preparation of financial statements

- (i) The measurement basis used in preparation of the financial statements is historical cost.
- (ii) The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- (iii) The financial statements have been prepared on a going concern basis notwithstanding the significant net liabilities as at 31st March, 2008 on the strength of assurance that the directors and shareholders will continue to give financial assistance as is necessary to maintain the company as a going concern.

(c) Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated at the rate of 20% per annum on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value, if any.

(d) Investments Securities

Investments held on a continuing basis for an identified long-term purpose are classified as non-trading investments and are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognized as an expense in the profit and loss account, such provisions being determined for each investment individually.

Profits or losses on disposal of non-trading investments are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes cost of purchase of goods computed using weight average method. Net realizable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to the management estimates based on prevailing market conditions.

(f) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

(g) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the tangible assets other than inventories may be impaired or an impairment loss previously recognized no longer exists or may have

decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals impairment losses are credited to the income statement in the year in which the reversals are recognized.

(h) Taxation

Income tax expenses represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the income statement as follows:

- (i) Sales of goods
Sales of goods are recognized when goods are delivered and title has passed.
- (ii) Interest income
Interest earned on bank deposits are accrued on a time apportioned basis on the principal outstanding and at the interest rate applicable.

J) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Transactions in foreign currencies during the year are translated at the rates ruling on the dates of the transactions. Exchange differences arising are dealt with in the profit and loss account.

(k) Employee Benefit

- (i) Retirement Benefit Cost
The company's employees are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, both the company and the employees contribute according to the rules of the scheme. Contributions for the scheme are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the company and managed by independent professional fund manager.

- (ii) Employee Leave Entitlements

Employee entitlements to annual leave are recognized when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are recognized until the time of leave.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity



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

at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognized as a separate assets when the reimbursement is virtually certain.

3 TURNOVER AND REVENUE

Turnover primarily represents the net invoiced value of goods sold less returns and discounts.

Revenues recognized during the year are as follows:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Turnover:				
Sales of goods	26,173,102	25,158,539	134,859,525	140,887,818
Other revenue:				
Bank interest income	988	-	5,091	-
Sundry Income	-	45,788	-	256,413
Total revenues	26,174,090	25,204,327	134,864,616	141,144,231

4 LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2008	2007	2008	2007
Auditors' remuneration	17,500	16,500	90,171	92,400
Depreciation	1,424,146	1,259,772	7,338,055	7,054,723
MPF Contributions	312,404	294,072	1,609,693	1,646,803
Staff cost, excluding directors' emoluments (Note 5)				
Salaries and allowances	6,858,778	7,077,597	35,340,540	39,634,543
Staff welfare	48,471	32,970	249,752	184,632
Other interest	-	1,290,052	-	7,224,291
Building rental	6,319,710	6,535,883	32,562,938	36,600,945

5 DIRECTORS EMOLUMENTS

Fees	-	-	-	-
Other emoluments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6 FINANCE COSTS

Bank loan interest	-	449,206	-	2,515,554
Other interest	-	1,290,052	-	7,224,291
Bank charges	379,634	386,917	1,956,102	2,166,735
	<u>379,634</u>	<u>2,126,175</u>	<u>1,956,102</u>	<u>11,906,580</u>

7 TAXATION

(a) No Hong Kong Profits Tax has been provided as the Company has no assessable profit for the year ended 31st March 2008 (2007: Nil).

(b) The charge for the year can be reconciled to the loss as per the income statement as follows:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Loss before taxation	(4,241,283)	(5,900,052)	(21,853,635)	(33,040,291)
Tax at the applicable rate of 17.5%	(742,225)	(1,032,509)	(3,824,389)	(5,782,050)
Tax effect of temporary differences not recognized	179,570	165,785	925,253	928,396
Tax effect of non-deductible expenses	-	225,759	-	1,264,250
Tax effect of non-taxable income	(172)	-	(886)	-
Tax effect of unused tax losses not recognized	562,827	640,965	2,900,022	3,589,404
Tax expenses	-	-	-	-

7 (c) The company has not recognized deferred tax assets (liabilities) as follows:

	2008		2007		2008		2007	
	Deductible (Taxable) Difference / Tax Loss HK\$	Deferred Tax Assets (Liabilities) HK\$	Deductible (Taxable) Difference / Tax Loss HK\$	Deferred Tax Assets (Liabilities) HK\$	Deductible (Taxable) Difference / Tax Loss INR	Deferred Tax Assets (Liabilities) INR	Deductible (Taxable) Difference / Tax Loss INR	Deferred Tax Assets (Liabilities) INR
Accelerated Depreciation	2,942,139	514,874	1,916,024	335,304	15,159,665	2,652,940	10,729,734	1,877,702
Accumulated unused tax losses	9,622,168	1,683,879	6,406,012	1,121,052	49,579,183	8,676,355	35,873,667	6,277,891
Total deductible temporary difference and unused tax losses	12,564,307	2,198,753	8,322,036	1,456,356	64,738,848	11,329,295	46,603,401	8,155,593

The tax losses do not expire under the Hong Kong taxation system.

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

	Share Capital		Accumulated Losses		Total	
	HK\$	INR	HK\$	INR	HK\$	INR
Balance as at 1st April, 2006	5,000,000	28,000,000	(4,047,596)	(22,666,538)	952,404	5,333,462
Net Loss for the year	-	-	(5,900,052)	(30,400,608)	(5,900,052)	(30,400,608)
Balance as at 31st March, 2007	5,000,000	28,000,000	(9,947,648)	(53,067,146)	(4,947,648)	(25,067,146)
Net Loss for the year	-	-	(4,241,283)	(21,853,635)	(4,241,283)	(21,853,635)
Balance as at 31st March, 2008	5,000,000	28,000,000	(14,188,931)	(74,920,781)	(9,188,931)	(46,920,781)

Exchange rate used for translation 1 HK\$ = INR 5.1526

The annexed notes form an integral part of these financial statements.

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

8 FIXED ASSETS

	Furniture and fixtures	Office equipment	Casting moulds	Motor vehicle	Total	Furniture and fixtures	Office equipment	Casting moulds	Motor vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	INR	INR	INR	INR	INR
2008										
Cost:										
As at 1.4.2007	5,483,791	309,614	505,460	-	6,298,865	30,709,230	1,733,838	2,830,576	-	35,273,644
Additions	761,056	30,814	-	30,000	821,870	3,921,417	158,772	-	154,578	4,234,767
As at 31.3.2008	6,244,847	340,428	505,460	30,000	7,120,735	34,630,647	1,892,610	2,830,576	154,578	39,508,411
Aggregate depreciation:										
As at 1.4.2007	3,039,982	176,032	403,276	-	3,619,290	17,023,900	985,779	2,258,345	-	20,268,024
Charge for the year	1,248,968	68,086	101,092	6,000	1,424,146	6,435,433	350,820	520,887	30,916	7,338,056
As at 31.3.2008	4,288,950	244,118	504,368	6,000	5,043,436	23,459,333	1,336,599	2,779,232	30,916	27,606,080
Net book value:										
As at 31.3.2008	1,955,897	96,310	1,092	24,000	2,077,299	11,171,314	556,011	51,344	123,662	11,902,331
2007										
Cost:										
As at 1.4.2006	4,815,277	263,814	505,460	-	5,584,551	26,965,552	1,477,358	2,830,576	-	31,273,486
Additions	668,514	45,800	-	-	714,314	3,743,678	256,480	-	-	4,000,158
As at 31.3.2007	5,483,791	309,614	505,460	-	6,298,865	30,709,230	1,733,838	2,830,576	-	35,273,644
Aggregate depreciation:										
As at 1.4.2006	1,943,225	114,109	302,184	-	2,359,518	10,882,060	639,010	1,692,230	-	13,213,300
Charge for the year	1,096,757	61,923	101,092	-	1,259,772	6,141,840	346,769	566,115	-	7,054,724
As at 31.3.2007	3,039,982	176,032	403,276	-	3,619,290	17,023,900	985,779	2,258,345	-	20,268,024
Net book value:										
As at 31.3.2007	2,443,809	133,582	102,184	-	2,679,575	13,685,330	748,059	572,231	-	15,005,620

9 UNLISTED INVESTMENT

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Unlisted Investments, at cost	3,965	3,965	20,430	22,204

10 TRADE AND OTHER RECEIVABLE

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Trade receivables	2,543,145	2,948,840	13,103,809	16,513,504
Other receivables	9,275,358	7,874,044	47,792,210	44,094,646
Prepayments	83,618	2,520	430,850	14,112
	<u>11,902,121</u>	<u>10,825,404</u>	<u>61,326,869</u>	<u>60,622,262</u>

11 TRADE AND OTHER PAYABLES

Trade payables	21,667,867	25,956,697	111,645,852	145,357,503
Other payables	30,158,402	21,183,301	155,394,182	118,626,486
Accrued expenses	951,595	1,417,406	4,903,188	7,937,474
	<u>52,777,864</u>	<u>48,557,404</u>	<u>271,943,222</u>	<u>271,921,463</u>

12 SHARE CAPITAL

Authorized				
5,000,000 ordinary shares of HK\$1 each	5,000,000	5,000,000	25,763,000	28,000,000
Issued and fully paid				
5,000,000 ordinary shares of HK\$1 each	5,000,000	5,000,000	25,763,000	28,000,000

13 COMMITMENT UNDER OPERATING LEASES

The future minimum lease payments in respect of land and building under non-cancelable operating leases are payable in the following period:

Not later than one year	4,736,984	4,316,746	24,407,784	24,173,778
Later than one year but within five years	2,455,660	1,940,260	12,653,034	10,865,456
	<u>7,192,644</u>	<u>6,257,006</u>	<u>37,060,818</u>	<u>35,039,234</u>

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 28th May, 2008.

15 Note:

We have translated the Hong Kong Dollar amounts into Rupees at the closing rate as on 31st March 2008. The translations should not be considered as a representation that such Hong Kong Dollar amounts have been, could have been or could be converted into INR at any particular rate, the rate stated above, or at all.

REPORT OF THE DIRECTORS

The directors have pleasure to present their annual report and the audited financial statements for the year ended 31st March, 2008.

PRINCIPAL ACTIVITY

The principal activities of the Company during the year were general trading.

FINANCIAL RESULTS

The results for the year 31st March, 2008 and the state of the Company's affairs at that date are set out on the annexed financial statements.

FIXED ASSETS

Details of the movements in fixed assets during the year was shown in Note 6 to the financial statements.

DIVIDEND

The directors do not recommend the payment of dividend for the year.

DONATIONS

During the year the Company has no charitable donations amounting HK\$ Nil. (2007: HK\$ 49,525 (INR2,55,183)).

DIRECTORS

The directors who held office during the year were:

Patel Anita
Patel Dipan Jagdish
Doshi Vishal Shreyas

In accordance with the Company's Articles of Association, all directors shall continue to hold office.

DIRECTORS' INTEREST

There were no contracts of significance to which the Company or its subsidiary was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year or at the end of the year was the Company or its subsidiary a party to any arrangement which enabled the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The financial statements have been audited by Dave Kwok & Co., Certified Public Accountants who retire and, being eligible, offer themselves for re-appointments.

On behalf of the Board

Sd/-

Chairman
Hong Kong, 23 JUN 2008

INDEPENDENT AUDITORS' REPORT

**TO THE SHAREHOLDERS OF THE INTER-GEMS (H.K) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**

We have audited the financial statements of Inter-Gems (H.K.) Limited set out on annexed pages, which comprise the balance sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement 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 the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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 and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks 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 true 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 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 state of the company's affairs as at 31st March, 2008 and of its profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

DAVE KWOK & CO.
Certified Public Accountants

Hong Kong,
23 JUN 2008

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2008**

	Note	2008 HK\$	2007 HK\$	2008 INR	2007 INR
TURNOVER	3	418,742,614	218,554,368	2,157,613,193	1,126,123,237
COST OF SALES		(403,648,903)	(210,740,167)	(2,079,841,338)	(1,085,859,784)
GROSS PROFIT		15,093,711	7,814,201	77,771,855	40,263,453
OTHER REVENUE	3	389,914	305,471	2,009,071	1,573,970
ADMINISTRATIVE EXPENSES		(9,116,262)	(5,128,916)	(46,972,452)	(26,427,253)
FINANCE COST	4	(2,663,740)	(1,847,951)	(13,725,187)	(9,521,752)
PROFIT BEFORE TAXATION	4	3,703,623	1,142,805	19,083,287	5,888,418
TAXATION CHARGED	5	(611,171)	(190,122)	(3,149,120)	(979,623)
PROFIT AFTER TAXATION		3,092,452	952,683	15,934,167	4,908,795

Exchange rate used for translation 1 HK\$ = INR 5.1526
The annexed notes hereto form an integral part of these financial statements.

BALANCE SHEET AS AT 31ST MARCH, 2008

	Note	2008 HK\$	2007 HK\$	2008 INR	2007 INR
NON-CURRENT ASSETS					
Fixed assets	6	8,515,386	2,481,930	43,876,378	12,788,393
Membership debenture	7	320,000	320,000	1,648,832	1,648,832
Investment in subsidiary company	8	1,560,000	-	8,038,056	-
		10,395,386	2,801,930	53,563,266	14,437,225
CURRENT ASSETS					
Stock	2(i)	7,495,676	7,116,447	38,622,220	36,668,205
Prepayment, rental and utility deposits		588,365	593,139	3,031,609	3,056,208
Amount due from related companies	9	9,382,742	8,378,822	48,345,516	43,172,718
Accounts and others receivable		194,280,261	75,423,029	1,001,048,473	388,624,699
Cash and bank balances		30,624,967	12,953,784	157,798,205	66,745,667
		242,372,011	104,465,221	1,248,846,023	538,267,497
CURRENT LIABILITIES					
Trust receipt payable		36,639,822	27,990,423	188,790,347	144,223,454
Mortgage loan - current portion	10	181,222	-	933,764	-
Accounts and other payables		202,408,189	73,382,240	1,042,928,435	378,109,330
Accrued expenses		191,097	105,099	984,646	541,533
Rental deposit received		51,600	33,000	265,874	170,036
Amount due to related companies		3,531,603	3,530,935	18,196,938	18,193,496
Amount due to directors		726,063	563,484	3,741,112	2,903,408
Provision for taxation		468,580	151,185	2,414,405	778,996
		244,198,176	105,756,366	1,258,255,521	544,920,253
NET CURRENT LIABILITIES		(1,826,165)	(1,291,145)	(9,409,498)	(6,652,756)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,569,221	1,510,785	44,153,768	7,784,471
LONGTERM LIABILITIES					
Mortgage loan	10	(3,965,984)	-	(20,435,129)	-
NET ASSETS		4,603,237	1,510,785	23,718,639	7,784,471
Financed by:					
SHARE CAPITAL	11	501,000	501,000	2,581,453	2,581,453
RETAINED PROFITS		4,102,237	1,009,785	21,137,186	5,203,018
SHAREHOLDERS' FUND		4,603,237	1,510,785	23,718,639	7,784,471

Exchange rate used for translation 1 HK\$ = INR 5.1526
The notes annexed hereto form an integral part of these financial statements.
Approved by the Board of Directors on 23rd June, 2008

Sd/- Director Sd/- Director

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

	Share capital HK\$	Retained profits HK\$	Total HK\$	Share capital INR	Retained profits INR	Total INR
Balance as at 1st April, 2006	501,000	57,102	558,102	2,581,453	294,224	2,875,676
Net profit for the year	-	952,683	952,683	-	4,908,794	4,908,794
Balance as at 31st March, 2007	501,000	1,009,785	1,510,785	2,581,453	5,203,018	7,784,470
Net profit for the year	-	3,092,452	3,092,452	-	15,934,168	15,934,168
31st March, 2008	501,000	4,102,237	4,603,237	2,581,453	21,137,186	23,718,638

Exchange rate used for translation 1 HK\$ = INR 5.1526

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

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	3,703,623	1,142,805	19,083,288	5,888,417
Adjustments for:				
Bank interest income	(116,326)	(100,101)	(599,381)	(515,780)
Exchange gain	(15,588)	-	(80,319)	-
Bank interest	2,398,736	1,649,683	12,359,727	8,500,157
Mortgage loan interest	107,419	14,713	553,487	75,810
Depreciation	319,878	176,964	1,648,203	911,825
(Gain) on disposal of fixed assets	-	(300)	-	(1,546)
Operating profit before working capital changes	6,397,742	2,883,764	32,965,005	14,858,883
(Increase)/Decrease in stock	(379,229)	1,731,594	(1,954,015)	8,922,211
Decrease in deposits and prepayments	4,774	470,890	24,599	2,426,308
(Increase) in accounts and others receivable	(118,857,232)	(38,937,256)	(612,423,774)	(200,628,105)
(Increase) in amounts due from related companies	(1,003,920)	(3,745,923)	(5,172,798)	(19,301,243)
Increase/(Decrease) in amounts due to directors	162,579	(463,369)	837,705	(2,387,555)
(Decrease) in amount due to holding company	-	(2,709,947)	-	(13,963,273)
Increase in accounts payable	129,025,949	26,321,530	664,819,105	135,624,315
Increase in accrued expenses	85,998	48,549	443,113	250,154
Increase in trust receipt payable	8,649,399	27,990,423	44,566,893	144,223,454
Increase in amounts due to related companies	668	-	3,442	-
Increase in rental deposit received	18,600	5,445	95,838	28,056
Cash generated from operations	24,105,328	13,595,700	124,205,113	70,053,205
Bank interest income	116,326	100,101	599,381	515,780
Exchange gain	15,588	-	80,319	-
Bank interest	(2,398,736)	(1,649,683)	(12,359,727)	(8,500,157)
Mortgage loan interest	(107,419)	(14,713)	(553,487)	(75,810)
Profits tax paid	(293,776)	(57,936)	(1,513,710)	(298,521)
Net cash generated from operating activities	21,437,311	11,973,469	110,457,889	61,694,497
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary company	(1,560,000)	-	(8,038,056)	-
Purchase of fixed assets	(6,353,334)	(174,160)	(32,736,189)	(897,377)
Sales proceed of fixed assets	-	300	-	1,546
Net cash (used in) investing activities	(7,913,334)	(173,860)	(40,774,245)	(895,831)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/(Decrease) in bank loans	4,147,206	(855,619)	21,368,894	(4,408,662)
Net cash generated from/(used in) financing activities	4,147,206	(855,619)	21,368,894	(4,408,662)
INCREASE IN CASH AND CASH EQUIVALENTS	17,671,183	10,943,990	91,052,538	56,390,003
CASH AND CASH EQUIVALENTS AT 1/4/2007	12,953,784	2,009,794	66,745,667	10,355,665
CASH AND CASH EQUIVALENTS AT 31/3/2008	30,624,967	12,953,784	157,798,205	66,745,668
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET				
Cash and bank balances	30,624,967	12,953,784	157,798,205	66,745,668

Exchange rate used for translation 1 HK\$ = INR 5.1526

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

1. REPORTING ENTITY

Inter-gems (H.K.) Limited is a private company incorporated in Hong Kong with limited liability.

The principal activities of the Company during the year were general trading.

The Company's registered office is located at 5/F., Kaiseng Commercial Centre, 4-6 Hankow Tsimshatsui, Kowloon.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**(a) Statement of Compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows.

(b) Basis of Preparation of the Financial Statements.

(1) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rates used for depreciation are as follows:-

Leasehold properties	2%
Decoration	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

(d) Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognized for the assets in prior years.

(e) Subsidiary Company

A Company is a subsidiary Company if more than 50% of the issued voting capital is held long term. Investments in subsidiary companies are carried at cost, less any provision for diminution in value.

(f) Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Available-for-sale financial assets are non-derivative financial assets that are designated at available-for-sale or are not classified as (a) loans and receivable, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. They include the financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment loss, if any. Unrealised gains and losses arising from changes in the fair value are recognised directly in the investment revaluation reserve, except of foreign exchange gains and losses on monetary items debt securities which are recognised in the income statement. When the available-for-sale financial assets are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the equity are treated as gains and losses on disposal.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(g) Revenue Recognition

Revenue from the sale of goods is recognised when goods are delivered and the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Interest income is recognised on receipt basis.

Rental income is recognised on accrual basis over the respective lease.

(h) Foreign Currencies

The Company's financial records are maintained and the financial statements are stated in Hong Kong dollars. Transactions in foreign currencies are converted at exchange rate ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the year end are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

(i) Stock

Stock is stated at the lower cost and net realizable value.

(j) Operating Leases

Rental payable under operating leases are charged to the profit and loss account on a straight line basis over the leases terms.

(k) Related Parties

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

(l) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

3. REVENUE & TURNOVER

Turnover represents the invoiced value of goods less returns and discounts in normal course of business. Income recognized during the year are as follows:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Turnover:				
Sales	418,742,614	218,554,368	2,157,613,193	1,126,123,237
Other revenue:				
Bank Interest income	116,326	100,101	599,381	515,780
Exchange gain	15,588	-	80,319	-
Gain on disposal of fixed assets	-	300	-	1,546
Rental Income	258,000	204,770	1,329,371	1,055,098
Sundry Income	-	300	-	1,546
Total revenue	419,132,528	218,859,839	2,159,622,264	1,127,697,207

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
(a) Finance Cost				
Bank charges	157,585	87,888	811,972	452,852
Bank interest	2,398,736	1,649,683	12,359,727	8,500,157
Exchange loss	-	95,667	-	492,934
Mortgage loan interest	107,419	14,713	553,487	75,810

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
(b) Other items:				
Auditors' remuneration	16,000	12,000	82,442	61,831
Depreciation	319,878	176,964	1,648,203	911,825
Legal and professional fee	131,372	108,349	676,907	558,279
Property rent	427,240	516,617	2,201,397	2,661,921
Staff cost	2,169,135	1,855,925	11,176,685	9,562,839

Exchange rate used for translation 1 HK\$ = INR 5.1526

5. TAXATION

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Hong Kong Profits Tax provided for the year	611,171	190,122	3,149,120	979,623
Deferred taxation relating to the origination and reversal of temporary differences	-	1,945	-	10,022
	611,171	192,067	3,149,120	989,645

Provision for Hong Kong Profits Tax at the rate of 17.5% on estimated assessable profit for the year (2007: 17.5%)

6. FIXED ASSETS

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
2008				
To Cost:				
As at 01-04-2007	244,000	2,515,711	341,249	239,552
Additions	-	6,264,150	53,358	35,826
As at 31-03-2008	244,000	8,779,861	394,607	275,378
Accumulated depreciation:				
As at 01-04-2007	161,400	342,053	155,721	199,408
Charges for the year	48,800	175,597	69,293	26,188
As at 31-03-2008	210,200	517,650	225,014	225,596
Net Book Value:				
As at 31-03-2008	33,800	8,262,211	169,593	49,782
2007				
To Cost:				
As at 01-04-2006	244,000	2,515,711	171,089	244,440
Additions	-	-	170,160	4,000
Less: Disposal	-	-	-	(8,888)
As at 31-03-2007	244,000	2,515,711	341,249	239,552
Accumulated depreciation:				
As at 01-04-2006	112,600	291,739	97,099	189,068
Charges for the year	48,800	50,314	58,622	19,228
Less: Disposal	-	-	-	(8,888)
As at 31-03-2007	161,400	342,053	155,721	199,408
Net Book Value:				
As at 31-03-2007	82,600	2,173,658	185,528	40,144

Exchange rate used for translation 1 HK\$ = INR 5.1526

7. MEMBERSHIP DEBENTURE

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
At Cost				
Kowloon Cricket Club	320,000	320,000	1,648,832	1,648,832

It was determined by the Directors of the Company that the amount available for sale of financial assets stated at cost due to the evidence of fair value in market price was not available.

8. INVESTMENT IN SUBSIDIARY COMPANY

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Unlisted Shares, at cost	1,560,000	-	8,038,056	-

Details of Subsidiary:

Name of Company: Shrenuj (Shanghai) Diamonds Pvt. Ltd.

Country of Incorporation : China

% of Issued Share Capital Held by Company : 100%

Principal Activities : Trading of diamond

Group accounts have not been prepared as the company is a wholly-owned subsidiary company of another company

The charge for the year can be reconciled to the profit per income statement as follows:-

Profit before taxation	3,703,623	1,142,805	19,083,288	5,888,417
Tax at the applicable rate of 17.5% (2007: 17.5%)	648,134	199,991	3,339,575	1,030,474
Tax effect of non-deductible expenses	-	9,594	-	49,434
Tax effect of non-taxable income	(20,357)	(17,518)	(104,891)	(90,263)
Tax effect of temporary differences not recognized	8,394	-	43,251	-
Tax concession for current period	(25,000)	-	(128,815)	-
Tax expenses	611,171	192,067	3,149,120	989,645

The components of deferred tax liabilities not recognized in the financial statement are as follows:-

Accelerated depreciation	124,194	101,859	639,922	524,839
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Exchange rate used for translation 1 HK\$ = INR 5.1526

INTER-GEMS (H.K.) LIMITED

9. AMOUNT DUE FROM RELATED COMPANIES

Name of Company	Balance as at 31.3.2008	Balance as at 31.3.2007	Maximum outstanding during the year	Balance as at 31.3.2008	Balance as at 31.3.2007	Maximum outstanding during the year
	HK\$	HK\$	HK\$	INR	INR	INR
(a) Daily Jewellery Ltd.	9,098,042	7,923,301	9,098,042	46,878,571	40,825,601	46,878,571
(b) Ever Gold (HK) Ltd.	11,700	7,600	11,700	60,285	39,160	60,285
(c) Shrenuj (Shanghai) Diamonds Pvt. Ltd.	-	447,921	447,921	-	2,307,958	2,307,958
(d) Shrenuj Jewellery (Far East) Ltd.	273,000	-	273,000	1,406,660	-	1,406,660
	<u>9,382,742</u>	<u>8,378,822</u>	<u>9,830,663</u>	<u>48,345,516</u>	<u>43,172,719</u>	<u>50,653,474</u>

The advances to the related company is interest free, unsecured and with no fixed term of repayment

Exchange rate used for translation 1 HK\$ = INR 5.1526

10. MORTGAGE LOAN

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Mortgage loan				
- amount repayable after five years	3,397,381	-	17,505,345	-
- in the second to fifth years inclusive	568,603	-	2,929,784	-
	<u>3,965,984</u>	<u>-</u>	<u>20,435,129</u>	<u>-</u>
- within one year classified under current liabilities	181,222	-	933,764	-
	<u>4,147,206</u>	<u>-</u>	<u>21,368,893</u>	<u>-</u>

11. SHARE CAPITAL

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Authorized, issued and fully paid:				
501,000 ordinary shares of HK\$ 1 (INR 5.1526) each	501,000	501,000	2,581,453	2,581,453

12. DIRECTORS EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance is as under:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Fees	-	-	-	-
Other emoluments	408,000	293,550	2,102,261	1,512,546

13. PLEDGE OF ASSETS

The leasehold property of the company was pledged to banker as security for a mortgage loan granted to the company.

Exchange rate used for translation 1 HK\$ = INR 5.1526

14. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following related party transactions:-

Name of Company	Persons interest in the transaction	Nature of transaction	Amount	
			HK\$	INR
(a) Daily Jewellery Ltd.	Patel Dipan Jagdish	Sales	3,366,225	17,344,811
(b) Facet (Hong Kong) Ltd.	Patel Dipan Jagdish	Sales	2,029,688	10,458,170
		Purchases	11,999,284	61,827,511
(c) Shrenuj Jewellery (Far East) Ltd.	Doshi Vishal Shreyas Patel Dipan Jagdish	Sales	146,408	754,382
(d) Shrenuj & Co. Ltd.	Doshi Vishal Shreyas	Sales	84,895,664	437,433,398
		Purchases	293,985,130	1,514,787,781
(e) Shrenuj DMCC	Doshi Vishal Shreyas	Sales	8,448,415	43,531,303
		Purchases	295,344	1,521,789
(f) Shrenuj Diawjewels Ltd.	Doshi Vishal Shreyas	Sales	242,073	1,247,305
(g) Shrenuj (Shanghai) Diamonds Pvt. Ltd.	Patel Dipan Jagdish	Sales	29,387,457	151,421,811

15. COMMITMENTS UNDER OPERATING LEASES

At 31st March, 2008, the company had commitments under operating leases relating to leasehold property as follows:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Lease expiring:				
- within one year	470,400	804,000	2,423,783	4,142,690
- after one year but within five years	-	503,200	-	2,592,788
	<u>470,400</u>	<u>1,307,200</u>	<u>2,423,783</u>	<u>6,735,478</u>

16. ULTIMATE HOLDING COMPANY

The ultimate holding company is Shrenuj (Mauritius) Pvt Limited incorporated in Republic of Mauritius.

Exchange rate used for translation 1 HK\$ = INR 5.1526

LUME GERMANY GMBH

BALANCE SHEET AT 31ST MARCH, 2008

CERTIFICATE

	2008			
	EURO	EURO	INR	INR
ASSETS				
Capital Assets				
Tangible assets				
Other Machinery & Equipment		1,222.00		77,423.00
Finance Assets				
Other Advances		2,200.00		139,387.00
Circulating Assets				
Receivables				
Receivables goods & Services	257,248.74		16,298,714.00	
Other receivables	3,902.24		247,237.00	
		261,150.98		16,545,951.00
Other assets		2,340.86		148,312.00
Not covered with capital resources (Contra)		268,701.50		17,024,336.00
		535,615.34		33,935,409.00
LIABILITIES				
Capital resources				
Capital Stock/ Equity		25,000.00		1,583,945.00
Capital Reserve		50,000.00		3,167,890.00
Accumulated Deficit Carryover		(14,334.34)		(908,192.00)
Annual Deficit		(329,367.16)		(20,867,977.00)
Not covered (Contra)		268,701.50		17,024,334.00
		—		—
Accruals				
Other accruals		1,000.00		63,358.00
Debts				
Debts goods & service				
Current portion	11,330.83		717,896	
Debts intercompany				
Current portion	235,500.00		14,920,762	
Other debts	287,784.51		18,233,393	
		534,615.34		33,872,051.00
		535,615.34		33,935,409.00

The prescribed end of the year procedures have been done by me on the basis of the books examined by me and the submitted proofs of existence as well as the information given by:

Lume' Germany GmbH

Pforzheim

An evaluation of the correctness of these documents and specifications of the enterprise has been done in accordance with the limited scope about the type and range. Based on these the evaluation of correctness is reported.

An evaluation of the correctness of any other documents and specifications was not subject of the assignment.

Dated 19th June, 2008

Ottmar Deibele

Tax counsel

Disclaimer:

The original certificate is issued in German. The above presented is only the translation in English.

(Exchange rate used for translation 1 EURO = INR 63.3578)

Disclaimer: The original accounts are stated in German. The above stated are only the translations.

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	2008			
	EURO	EURO	INR	INR
Sales / Turnover		41,762.46		2,645,978.00
Other Operating Income				
Other Operating Income		5,381.89		340,985.00
Material Consumption:				
Purchase raw material & Supplies	(21.82)		(1,382.00)	
Processing charges	(21,035.69)		(1,332,775.00)	
		(21,057.51)		(1,334,157.00)
Staff Cost				
Salary & labour	(190,407.21)		(12,063,782.00)	
Staff benefits	(44,177.33)		(2,798,978.00)	
		(234,584.54)		(14,862,760.00)
Depreciation				
Depreciation		(706.87)		(44,786.00)
Other operating costs				
Office rent	(9,666.06)		(612,420.00)	
Insurance	(237.50)		(15,047.00)	
Vehicle expenses	(26,331.18)		(1,668,286.00)	
Exhibition, travelling, advert.,	(54,177.24)		(3,432,551.00)	
Transport	(9,324.68)		(590,791.00)	
Other operating costs	(17,630.36)		(1,117,021.00)	
(Loss)/ capital gains from capital assets	(1.28)		(81.00)	
		(117,368.30)		(7,436,197.00)
		(326,572.87)		(20,690,937.00)
Interest		(1,315.29)		(83,334.00)
Profit or (loss) on ordinary activities		(327,888.16)		(20,774,271.00)
Other taxes		(1,479.00)		(93,706.00)
Annual deficit		(329,367.16)		(20,867,977.00)



Lume Group AG

BALANCE SHEET AS AT 31ST MARCH, 2008

LIABILITIES	SCHEDULE	CHF	INR
SHARE CAPITAL	A	1100000	43887140
RESERVES & SURPLUS	B	209539	8360061
UNSECURED LOANS	C	1313547	52407110
	Total	2623086	104654311
ASSETS			
FIXED ASSETS	D		
Gross Block		2800000	111712720
Less: Depreciation		—	—
Net Block		2800000	111712720
Capital Work in Progress		—	—
		2800000	111712720
INVESTMENTS	E	—	—
CURRENT ASSETS, LOANS & ADVANCES	F		
Inventories		669308	26703649
Sundry Debtors		372864	14876304
Cash & Bank Balances		2104019	83944888
		3146191	125524841
Loans & Advances		3700	147620
		3149891	125672461
CURRENT LIABILITIES & PROVISIONS	G		
Current Liabilities		(3326805)	(132730870)
Provisions		—	—
		(3326805)	(132730870)
NET CURRENT ASSETS		(176914)	(7058409)
	Total	2623086	104654311

PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH 2008

INCOME	SCHEDULE	CHF	INR
Sales and Services	H	1375061	54861359
Other Income	I	—	—
		1375061	54861359
EXPENDITURE			
Material Cost	J	917512	36606343
Manufacturing & Other Expenses	K	214276	8549055
Interest	L	33734	1345899
Depreciation		—	—
		1165522	46501297
PROFIT BEFORE TAXATION		209539	8360061
Less: Provision for Taxation - Current		—	—
Provision for Deferred Taxation		—	—
		209539	8360061
PROFIT AFTER TAXATION		209539	8360061
Add: Balance Brought Forward		—	—
Excess provision for taxation in respect of previous years written back		—	—
		209539	8360061
APPROPRIATION			
Transfer to General Reserve		—	—
Proposed Dividend		—	—
Tax on Proposed Dividend		—	—
Balance carried to Balance Sheet		209539	8360061

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH, 2008

	CHF	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up		
Fully paid up	100000	3989740
Share Application money	1000000	39897400
	1100000	43887140
SCHEDULE 'B' - Reserve and Surplus		
Surplus in P&L A/c.	209539	8360061
	209539	8360061
SCHEDULE 'C' - Unsecured Loans		
Short term Loans & Advance from:		
Financial Institutions	—	—
Inter-Corporate Deposit	1313547	52407110
Directors	—	—
Other	—	—
	1313547	52407110
SCHEDULE 'D' - Fixed Assets		
Cost	2800000	111712720
Less: Depreciation	—	—
	2800000	111712720
Capital Work in Progress	—	—
	2800000	1.12E+08
SCHEDULE 'E' - Investments		
SCHEDULE 'F' - Current Assets, Loans & Advances		
A. Current Assets		
Inventories	669308	26703649
Finished Goods	—	—
	669308	26703649
Sundry Debtors		
Outstanding over six months	372864	14876304
Others	—	—
	372864	14876304
Cash and Bank Balances		
Current Accounts	2104019	83944888
	2104019	83944888
B. Loans & Advances		
Due from Subsidiary Company	3700	147620
	3700	147620
TOTAL (A) + (B)	3149891	125672461
SCHEDULE 'G' - Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
Sundry Creditors/Related parties	3326805	132730870
	3326805	132730870

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	CHF	INR
SCHEDULE 'H' - Sales		
Sales (including Inter Div.Rs.)	1373184	54786471
Total (a)	1373184	54786471
Service Charges	1877	74887
Total (b)	1877	74887
SCHEDULE 'I' - Other Income		
Total (c)	—	—
Grant Total (a)+(b)+(c) (A)	1375061	54861359
SCHEDULE 'J' - Materials Cost		
Purchase of Finished Goods	1586820	63309992
Total (d)	1586820	63309992
Variation in Stock	—	—
Stock at close	669308	26703649
Less: Stock at commencement	—	—
Total (e)	669308	26703649
Materials Cost (d)-(e) (C)	917512	36606343
SCHEDULE 'K' - Manufacturing & Other Expenses		
Employees's Emoluments:		
Salaries, Wages, Gratuity, Bonus etc.	22510	898090
Total	22510	898090
Selling & Distribution Expenses		
Other Selling & Distribution Expenses	182124	7266274
Total	182124	7266274
Other Expenses:		
Miscellaneous Expenses	9642	384691
Total	9642	384691
Manufacturing & Other Expenses(D)	214276	8549055
SCHEDULE 'L' - Interest		
On Term Loan	—	—
To Banks	—	—
To Others	33734	1345899
Less interest received	—	—
Total	33734	1345899
TOTAL (C) TO (E) (B)	1165522	46501297
Net profit after tax (A) - (B)	209539	8360061
Balance Available for appropriation	209539	8360061

(Exchange rate used for translation 1 CHF = INR 39.8974)

SHRENUJ AUSTRALIA PTY LTD

Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

- the financial statements and notes, present fairly the company's financial position as at 31st March 2008 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

Parag Desai
Director
5th May 2008

Balance Sheet
As at 31st March 2008

	This Year (Mar'08)		Last Year (June'07)		This Year (Mar'08)		Last Year (June'07)	
	AUD	AUD	AUD	INR	INR	INR	INR	
CURRENT ASSETS								
Bank Account	10,382		5,916	379,961			216,514	
Bank Account (US\$)	35,006		1,436	1,281,153			52,555	
Trade Debtors	4,822		12,958	176,476			474,238	
Trading Stock on Hand	175,086		33,366	6,407,815			1,221,132	
Withholding Tax Paid	98		-	3,587			-	
GST Liability	-		4,836	-			176,988	
TOTAL CURRENT ASSETS		225,394		58,511		8,248,992		2,141,427
NON CURRENT ASSETS								
Preliminary Expenses	970		970	35,500			35,500	
Less Preliminary Expenses written off	(922)		(776)	(33,743)			(28,400)	
		48		194		1,757		7,100
TOTAL NON CURRENT ASSETS		48		194		1,757		7,100
TOTAL ASSETS		225,443		58,705		8,250,749		2,148,527
CURRENT LIABILITIES								
Trade Creditors	205,264		50,882	7,512,272			1,862,185	
Sundry Loan	54,537		12,550	1,995,951			459,306	
Loan (Broadstone)	186,216		186,216	6,815,152			6,815,151	
GST Liability	2,049		-	74,990			-	
PAYG Withholding Tax Payable	4,644		-	169,962			-	
Superannuation Payable	2,250		-	82,346			-	
Provision for Income Tax	-		(83)	-			(3,038)	
TOTAL CURRENT LIABILITIES		454,960		249,564		16,650,672		9,133,604
TOTAL LIABILITIES		454,960		249,564		16,650,672		9,133,604
NET ASSETS		(229,517)		(190,859)		(8,399,923)		(6,985,077)
EQUITY								
Issued and Paid Up Capital	10		10	366			366	
Retained Earnings	(229,527)		(190,869)	(8,400,289)			(6,985,443)	
		(229,517)		(190,859)		(8,399,923)		(6,985,077)
TOTAL EQUITY		(229,517)		(190,859)		(8,399,923)		(6,985,077)

(Exchange rate used for translation 1 AUD = INR 36.5981)

These statements should be read in conjunction with the attached compilation report
Printed with rounded dollar balances. Rounding errors may make sub-totals appear incorrect.

Compilation Report

TO THE MEMBERS OF SHRENUJ AUSTRALIA PTY LTD

Scope

On the basis of information provided by the directors of Shrenuj Australia Pty Ltd, we have compiled in accordance with APS 9: Statement on Compilation of Financial Reports the special purpose financial report of Shrenuj Australia Pty Ltd for the year ended 31st March 2008.

The specific purpose for which the special purpose financial report has been prepared is set out in Note 1. The extent to which Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Note 1.

The directors are solely responsible for the information contained in the special purpose financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of Shrenuj Australia Pty Ltd's constitution and are appropriate to meet the needs of the directors and members of the company.

Our procedures use accounting expertise to collect, classify and summaries the financial information, which the directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared for the benefit of the directors and members of Shrenuj Australia Pty Ltd and the purpose identified above. We do not accept responsibility to any other person for the contents of the special purpose financial report.

Sd/-

DIANE YEOMANS & ASSOCIATES PTY LTD
RICHMOND
5th May 2008

Trading Profit and Loss Statement
For the year ended 31st March 2008

	This Year (Mar'08)		Last Year (June'07)		This Year (Mar'08)		Last Year (June'07)	
	AUD	AUD	AUD	INR	INR	INR	INR	
SALES								
Sales	118,653		59,269	4,342,474			2,169,133	
TOTAL SALES		118,653		59,269		4,342,474		2,169,133
COST OF GOODS SOLD								
Opening Stock	33,366		289,802	1,221,132			10,606,203	
Purchases & Returns	234,898		(197,458)	8,596,820			(7,226,588)	
Duty and Custom Fees	4,526		7,101	165,643			259,883	
Repairs	824		2,379	30,157			87,067	
Closing Stock	(175,086)		(33,366)	(6,407,815)			(1,221,132)	
TOTAL COST OF GOODS SOLD		98,528		68,459		3,605,937		2,505,469
GROSS PROFIT ON TRADING		20,125		(9,190)		736,537		(336,336)
OVERHEAD EXPENSES								
Accounting & Bookkeeping fees	2,759		720	100,974			26,351	
Bank Charges	112		215	4,099			7,869	
Directors Fees	45,000		30,000	1,646,915			1,097,943	
Display	7,766		2,512	284,221			91,934	
Freight and Cartage	8,833		16,251	323,271			594,756	
Insurances	3,308		3,609	121,067			132,083	
Legal Expenses	1,206		1,420	44,137			51,969	
Preliminary Expenses	146		194	5,343			7,100	
Printing and Stationery	-		38	-			1,391	
Rent	3,476		5,022	127,215			183,796	
Replacements	64		-	2,342			-	
Superannuation	4,050		-	148,222			-	
Subscriptions and Memberships	850		650	31,108			23,789	
Travel	13,669		17,016	500,259			622,753	
Workcover	285		-	10,430			-	
TOTAL OVERHEAD EXPENSES		91,524		77,647		3,349,603		2,841,734
ORDINARY INCOME								
Interest Received	321		240	11,748			8,784	
Exchange rate variation	32,419		(16,499)	1,186,474			(603,832)	
TOTAL ORDINARY INCOME		32,740		(16,259)		1,198,222		(595,048)
NET LOSS ON TRADING		(38,659)		(103,096)		(1,414,845)		(3,773,118)

(Exchange rate used for translation 1 AUD = INR 36.5981)

These statements should be read in conjunction with the attached compilation report
Printed with rounded dollar balances. Rounding errors may make sub-totals appear incorrect.



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

at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognized as a separate assets when the reimbursement is virtually certain.

3 TURNOVER AND REVENUE

Turnover primarily represents the net invoiced value of goods sold less returns and discounts.

Revenues recognized during the year are as follows:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Turnover:				
Sales of goods	26,173,102	25,158,539	134,859,525	140,887,818
Other revenue:				
Bank interest income	988	-	5,091	-
Sundry Income	-	45,788	-	256,413
Total revenues	26,174,090	25,204,327	134,864,616	141,144,231

4 LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Auditors' remuneration	17,500	16,500	90,171	92,400
Depreciation	1,424,146	1,259,772	7,338,055	7,054,723
MPF Contributions	312,404	294,072	1,609,693	1,646,803
Staff cost, excluding directors' emoluments (Note 5)				
Salaries and allowances	6,858,778	7,077,597	35,340,540	39,634,543
Staff welfare	48,471	32,970	249,752	184,632
Other interest	-	1,290,052	-	7,224,291
Building rental	6,319,710	6,535,883	32,562,938	36,600,945

7 (c) The company has not recognized deferred tax assets (liabilities) as follows:

	2008		2007		2008		2007	
	Deductible (Taxable) Difference / Tax Loss	Deferred Tax Assets (Liabilities)	Deductible (Taxable) Difference / Tax Loss	Deferred Tax Assets (Liabilities)	Deductible (Taxable) Difference / Tax Loss	Deferred Tax Assets (Liabilities)	Deductible (Taxable) Difference / Tax Loss	Deferred Tax Assets (Liabilities)
	HK\$	HK\$	HK\$	HK\$	INR	INR	INR	INR
Accelerated Depreciation	2,942,139	514,874	1,916,024	335,304	15,159,665	2,652,940	10,729,734	1,877,702
Accumulated unused tax losses	9,622,168	1,683,879	6,406,012	1,121,052	49,579,183	8,676,355	35,873,667	6,277,891
Total deductible temporary difference and unused tax losses	12,564,307	2,198,753	8,322,036	1,456,356	64,738,848	11,329,295	46,603,401	8,155,593

The tax losses do not expire under the Hong Kong taxation system.

5 DIRECTORS EMOLUMENTS

Fees	-	-	-	-
Other emoluments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6 FINANCE COSTS

Bank loan interest	-	449,206	-	2,515,554
Other interest	-	1,290,052	-	7,224,291
Bank charges	379,634	386,917	1,956,102	2,166,735
	<u>379,634</u>	<u>2,126,175</u>	<u>1,956,102</u>	<u>11,906,580</u>

7 TAXATION

(a) No Hong Kong Profits Tax has been provided as the Company has no assessable profit for the year ended 31st March 2008 (2007: Nil).

(b) The charge for the year can be reconciled to the loss as per the income statement as follows:

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Loss before taxation	(4,241,283)	(5,900,052)	(21,853,635)	(33,040,291)
Tax at the applicable rate of 17.5%	(742,225)	(1,032,509)	(3,824,389)	(5,782,050)
Tax effect of temporary differences not recognized	179,570	165,785	925,253	928,396
Tax effect of non-deductible expenses	-	225,759	-	1,264,250
Tax effect of non-taxable income	(172)	-	(886)	-
Tax effect of unused tax losses not recognized	562,827	640,965	2,900,022	3,589,404
Tax expenses	-	-	-	-

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

	Share Capital		Accumulated Losses		Total	
	HK\$	INR	HK\$	INR	HK\$	INR
Balance as at 1st April, 2006	5,000,000	28,000,000	(4,047,596)	(22,666,538)	952,404	5,333,462
Net Loss for the year	-	-	(5,900,052)	(30,400,608)	(5,900,052)	(30,400,608)
Balance as at 31st March, 2007	5,000,000	28,000,000	(9,947,648)	(53,067,146)	(4,947,648)	(25,067,146)
Net Loss for the year	-	-	(4,241,283)	(21,853,635)	(4,241,283)	(21,853,635)
Balance as at 31st March, 2008	5,000,000	28,000,000	(14,188,931)	(74,920,781)	(9,188,931)	(46,920,781)

Exchange rate used for translation 1 HK\$ = INR 5.1526

The annexed notes form an integral part of these financial statements.

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

8 FIXED ASSETS

	Furniture and fixtures	Office equipment	Casting moulds	Motor vehicle	Total	Furniture and fixtures	Office equipment	Casting moulds	Motor vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	INR	INR	INR	INR	INR
2008										
Cost:										
As at 1.4.2007	5,483,791	309,614	505,460	-	6,298,865	30,709,230	1,733,838	2,830,576	-	35,273,644
Additions	761,056	30,814	-	30,000	821,870	3,921,417	158,772	-	154,578	4,234,767
As at 31.3.2008	6,244,847	340,428	505,460	30,000	7,120,735	34,630,647	1,892,610	2,830,576	154,578	39,508,411
Aggregate depreciation:										
As at 1.4.2007	3,039,982	176,032	403,276	-	3,619,290	17,023,900	985,779	2,258,345	-	20,268,024
Charge for the year	1,248,968	68,086	101,092	6,000	1,424,146	6,435,433	350,820	520,887	30,916	7,338,056
As at 31.3.2008	4,288,950	244,118	504,368	6,000	5,043,436	23,459,333	1,336,599	2,779,232	30,916	27,606,080
Net book value: As at 31.3.2008										
	1,955,897	96,310	1,092	24,000	2,077,299	11,171,314	556,011	51,344	123,662	11,902,331
2007										
Cost:										
As at 1.4.2006	4,815,277	263,814	505,460	-	5,584,551	26,965,552	1,477,358	2,830,576	-	31,273,486
Additions	668,514	45,800	-	-	714,314	3,743,678	256,480	-	-	4,000,158
As at 31.3.2007	5,483,791	309,614	505,460	-	6,298,865	30,709,230	1,733,838	2,830,576	-	35,273,644
Aggregate depreciation:										
As at 1.4.2006	1,943,225	114,109	302,184	-	2,359,518	10,882,060	639,010	1,692,230	-	13,213,300
Charge for the year	1,096,757	61,923	101,092	-	1,259,772	6,141,840	346,769	566,115	-	7,054,724
As at 31.3.2007	3,039,982	176,032	403,276	-	3,619,290	17,023,900	985,779	2,258,345	-	20,268,024
Net book value: As at 31.3.2007										
	2,443,809	133,582	102,184	-	2,679,575	13,685,330	748,059	572,231	-	15,005,620

9 UNLISTED INVESTMENT

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Unlisted Investments, at cost	3,965	3,965	20,430	22,204

10 TRADE AND OTHER RECEIVABLE

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Trade receivables	2,543,145	2,948,840	13,103,809	16,513,504
Other receivables	9,275,358	7,874,044	47,792,210	44,094,646
Prepayments	83,618	2,520	430,850	14,112
	<u>11,902,121</u>	<u>10,825,404</u>	<u>61,326,869</u>	<u>60,622,262</u>

11 TRADE AND OTHER PAYABLES

Trade payables	21,667,867	25,956,697	111,645,852	145,357,503
Other payables	30,158,402	21,183,301	155,394,182	118,626,486
Accrued expenses	951,595	1,417,406	4,903,188	7,937,474
	<u>52,777,864</u>	<u>48,557,404</u>	<u>271,943,222</u>	<u>271,921,463</u>

12 SHARE CAPITAL

Authorized				
5,000,000 ordinary shares of HK\$1 each	5,000,000	5,000,000	25,763,000	28,000,000
Issued and fully paid				
5,000,000 ordinary shares of HK\$1 each	5,000,000	5,000,000	25,763,000	28,000,000

13 COMMITMENT UNDER OPERATING LEASES

The future minimum lease payments in respect of land and building under non-cancelable operating leases are payable in the following period:

Not later than one year	4,736,984	4,316,746	24,407,784	24,173,778
Later than one year but within five years	2,455,660	1,940,260	12,653,034	10,865,456
	<u>7,192,644</u>	<u>6,257,006</u>	<u>37,060,818</u>	<u>35,039,234</u>

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 28th May, 2008.

15 Note:

We have translated the Hong Kong Dollar amounts into Rupees at the closing rate as on 31st March 2008. The translations should not be considered as a representation that such Hong Kong Dollar amounts have been, could have been or could be converted into INR at any particular rate, the rate stated above, or at all.

Compilation Report

To the members of Burnet Holdings (Proprietary) Limited

We hereby certify that the financial statements of Burnet Holdings (Proprietary) Limited, as set out on pages 5 to 11, which comprise the balance sheet as at 31 March 2008, the income statement, the statement of changes in equity and cash flow statement for the 14 months then ended, a summary of significant accounting policies and other explanatory notes are compiled in accordance with the International Standards on Related Services

applicable to compilation engagements and on the basis of information provided by the Directors. Directors are responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no assurance thereon.

Grant Thornton
Gaborone
Date: 5th June, 2008

Directors' Responsibilities and Approval

The directors are required by the Companies Act of Botswana (Companies Act, 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial 14 months and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk

across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 14 months to 31 March 2008 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 13, which have been prepared on the going concern basis, were approved by the board of directors on 4th June, 2008 and were signed on its behalf by:

Director
Gaborone

Director
Gaborone

**Financial Statements for the 14 months ended 31 March 2008
BALANCE SHEET**

	Note(s)	31 March 2008 BWP	31 March 2008 INR
Assets			
Non-Current Assets			
Property, plant and equipment	2	5,269	32,299
Current Assets			
Trade and other receivables	3	72,794	446,227
Cash and cash equivalents		43,117	264,307
		115,911	710,534
Total Assets		121,180	742,833
Equity and Liabilities			
Equity			
Stated capital	4	270,000	1,655,100
Accumulated loss		(148,820)	(912,267)
		121,180	742,833
Total Equity and Liabilities		121,180	742,833
Exchange rate used for translation 1 BWP = INR 6.13			

**Financial Statements for the 14 months ended 31 March 2008
INCOME STATEMENT**

	Note(s)	31 March 2008 BWP	31 March 2008 INR
Other income		468	2,869
Operating expenses		(149,288)	(915,135)
Operating loss		(148,820)	(912,266)
Loss for the 14 months		(148,820)	(912,266)
Exchange rate used for translation 1 BWP = INR 6.13			

**Financial Statements for the 14 months ended 31 March 2008
STATEMENT OF CHANGES IN EQUITY**

	Stated capital BWP	Accumulated loss BWP	Total equity BWP	Stated capital INR	Accumulated loss INR	Total equity INR
Balance at 01 February 2007	-	-	-	-	-	-
Changes in equity						
Loss for the 14 months	-	(148,820)	(148,820)	-	(912,267)	(912,267)
Issue of shares	100	-	100	613	-	613
Advances towards capital	269,900	-	269,900	1,654,487	-	1,654,487
Total changes	270,000	(148,820)	121,180	1,655,100	(912,267)	742,833
Balance at 31 March 2008	270,000	(148,820)	121,180	1,655,100	(912,267)	742,833
Note(s) 4 Exchange rate used for translation 1 BWP = INR 6.13						

**Financial Statements for the 14 months ended 31 March 2008
CASH FLOW STATEMENT**

	Note(s)	31 March 2008 BWP	31 March 2008 INR
Cash flows from operating activities			
Cash used in operations		(221,385)	(1,357,090)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5,498)	(33,703)
Cash flows from financing activities			
Proceeds on share issue	4	270,000	1,655,100
Total cash movement for the 14 months		43,117	264,307
Cash at the beginning of the 14 months		-	-
Total cash at end of the 14 months		43,117	264,307
Exchange rate used for translation 1 BWP = INR 6.13			

Financial Statements for the 14 months ended 31 March 2008
ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Botswana (Companies Act, 2003). The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Office equipment	4 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charged for the period was for 2 months.

1.3 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.4 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.5 Prior year figures

There are no prior year figures as this is the first period of operation for the company.

Financial Statements for the 14 months ended 31 March 2008
NOTES TO THE FINANCIAL STATEMENTS

	2008		2008		2008	
	P	P	P	INR	INR	INR
2 Property, plant and equipment						
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	5,498	(229)	5,269	33,703	(1,404)	32,299
Reconciliation of property, plant and equipment - 2008						
	Opening net book value	Additions	Depreciation	Closing net book value		
Office equipment	-	5,498	(229)	5,269	33,703	(1,404)
3 Trade and other receivables				2008 P		2008 INR
Trade receivables				20,976		128,583
Prepayments				37,915		232,419
VAT Receivable				13,903		85,225
				<u>72,794</u>		<u>446,227</u>
4 Stated capital				2008 P		2008 INR
Stated Capital				100		613
100 Ordinary shares at no par value				269,900		1,654,487
Advances towards capital				<u>270,000</u>		<u>1,655,100</u>
Exchange rate used for translation 1 BWP = INR 6.13						

Financial Statements for the 14 months ended 31 March 2008
DETAILED INCOME STATEMENT

	31 March 2008 BWP	31 March 2008 INR
Other income		
Bank Interest	468	2,869
Expenses (Refer to page 13)	(149,288)	(915,135)
Loss for the 14 months	<u>(148,820)</u>	<u>(912,266)</u>

Exchange rate used for translation 1 BWP = INR 6.13

The supplementary information presented does not form part of the financial statements and is unaudited

Financial Statements for the 14 months ended 31 March 2008
Detailed Income statement

	31 March 2008 BWP	31 March 2008 INR
Operating expenses		
Advertising	5,000	30,650
Bank charges	1,616	9,906
Computer expenses	116	711
Professional fees	91,136	558,664
Depreciation, amortisation and impairments	229	1,404
Loss on exchange differences	940	5,762
Printing and stationery	7,396	45,337
Travel	42,855	262,701
	<u>149,288</u>	<u>915,135</u>

Exchange rate used for translation 1 BWP = INR 6.13

The supplementary information presented does not form part of the financial statements and is unaudited



DIRECTORS' REPORT

To the Members,

SHRENUJ DIAJEWELS LIMITED

Your Directors have pleasure in presenting the NINETEENTH ANNUAL REPORT and the audited accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS

	Year ended	
	31/03/2008 (Rs. in Lacs)	31/03/2007 (Rs. in Lacs)
Profit before Taxation	1045.45	353.68
Less : Provision for Taxation	120.00	20.00
Provision for Fringe Benefit Tax	3.30	2.00
Provision for Deferred Tax	30.46	23.07
Profit after Taxation	891.69	308.61
Add : Balance brought forward from previous year	680.36	371.75
Balance carried to Balance Sheet	1572.05	680.36

OPERATIONS:

Despite stiff competition, the Company's performance was excellent for the financial year 2007-08 with the rise in sales by 140% to Rs.122.35 Crores (Previous year 50.99 Crores) and rise in PAT by 189% to Rs.8.92 Crores (Previous year Rs.3.09 Crores).

DIVIDEND:-

In order to conserve the resources of the Company, your Directors have not recommended any dividend.

PROSPECTS:

Your Directors are planning to expand the business of the Company and are very optimistic about the progress. They expect to continue the growth in coming years also.

STATUTORY INFORMATION:

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is given in this Report as Annexure - I.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report is not given in this Report as the Company had no Employees covered under the aforesaid Section.

DIRECTORS:

Shri Vishal S. Doshi retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have adopted such accounting policies and applied them consistently and made judgements 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 ended 31st March, 2008 and of the profits of the Company for that year;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

INSURANCE:

Properties and Assets of the Company are adequately insured.

AUDITORS:

The term of M/s. Prakash S. Doshi & Co., Chartered Accountants, as Auditors of the Company expires at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment.

APPRECIATION:

The Board wishes to place on record its sincere appreciation of the efforts put in by the Company's workers, staff and executives at all levels during the year. Your Directors also wish to thank the Banks and its customers for their continuing support throughout the year.

For and on behalf of the Board

Sd/-
KIRTILAL K. DOSHI
CHAIRMAN

Place : Mumbai
Date : 16th June, 2008.

Registered Office:

G – 20, Gem & Jewellery Complex - II,
Seepz, SEZ,
Andheri (East),
Mumbai – 400 096.

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE-I

Statement containing particulars pursuant to the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, and forming part of Directors' Report.

A. CONSERVATION OF ENERGY

As the Company is not covered in the list of industries required to furnish information in 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 out by the Company | i) Manufacturing of Jewellery as per international standard.
ii) Conceptual Designs. |
| 2. Benefits derived as a result of the above R & D | i) Precision in manufacturing.
ii) Improved quality of production.
iii) Minimized loss.
iv) Achieved consistency in production quality. |
| 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 | |
| a. Capital | Nil |
| b. Recurring | Nil |
| c. Total | Nil |
| d. Total R & D expenditure as a percentage of total turnover | Nil |

Technology Absorption, Adoption and Innovation

- | | |
|---|--|
| 1. Efforts in brief made towards technology absorption and innovation. | The Company keeps itself abreast of the technical development and innovation in the Company's line of products worldwide 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 efforts e.g. product improvement, cost reduction, product development, import substitution, etc. | i) Cost Reduction.
ii) Achievement in precision and quality.
iii) Use of indigenous equipments as import substitute. |
| 3. In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished: | |
| a. Technology imported | Nil |
| b. Year of import | Not Applicable |
| c. Has Technology been fully absorbed? | Not Applicable |
| d. If not fully absorbed, areas where this has not taken place, reason thereof and future plans of action | Not Applicable |
| C. FOREIGN EXCHANGE EARNINGS AND OUTGO | |
| Activities relating to export; initiatives taken to increase exports; development of new export markets for products and services, export plans | The Company has sustained a high level of export, which during the year amounted to Rs.101.52 Crores. The Company's plans are multi dimensional and management is taking various initiatives to increase exports of the Company. |
| Foreign Exchange earned on F.O.B. basis | Rs. 10151.88 Lacs |
| Foreign Exchange Used | Rs. 5673.61 Lacs |

REPORT OF AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **SHRENUJ DIAJEWELS LIMITED (Formerly known as ADITI DIAMIMPEX TRADING AND MANUFACTURING COMPANY LIMITED)** as at 31st March 2008 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors Report) Order, 2003 and the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) 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;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report subject to note 17(a) regarding non provision of accrued gratuity liability, comply with the mandatory accounting standards referred to in section 211(3C) of the Companies Act, 1956;

- (v) On the basis of written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of section 274(1)(g) of the companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to note 17(a) regarding non provision and non quantification of accrued gratuity liability, and read together with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

P.S. DOSHI
PROPRIETOR
MEMBERSHIP NO. 11532

MUMBAI: 16th June, 2008

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of **SHRENUJ DIAJEWELS LIMITED (Formerly known as ADITI DIAMIMPEX TRADING AND MANUFACTURING COMPANY LIMITED)** for the year ended 31st March, 2008)

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of fixed assets.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) According to the information and explanation given to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In view of (a) above, clause (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (c) The company has taken unsecured loan from the holding company and a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 117,781,799 and the year-end balance of loans taken was Rs. 117,781,799.
- (d) In our opinion, the terms and conditions on which loans have been taken from holding company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (e) There is no stipulation regards repayment of loan.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. According to information and explanations given to us, we have to state that the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
9. (a) According to the records of the company, it is generally regular in depositing with appropriate authorities undisputed statutory due including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it. There are no arrears as at 31st March, 2008 which were due for more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no statutory dues pending to be deposited on account of disputes pending at various forums.
10. The company does not have accumulated losses at the year end and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the bank and has nothing due to financial institution or debenture holders.
12. According to the information and explanations given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanations given to us the company has not given guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us the company has applied term loan for the purpose for which the loan was obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, the company has not issued debentures.
20. The company has not raised monies by public issue during the year and hence the question of disclosure and verification of the end use of such monies does not arise.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

P.S. DOSHI
PROPRIETOR
MEMBERSHIP NO. 11532

MUMBAI: 16th June, 2008

Shrenuj Dijewels Limited
(Formerly known as ADITI DIAMIPEX TRADING AND MANUFACTURING COMPANY LIMITED)

BALANCE SHEET AS AT 31ST MARCH, 2008			
		31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	A	40,000,000	40,000,000
Reserves and Surplus	B	157,204,811	68,035,838
		<u>197,204,811</u>	<u>108,035,838</u>
Loan Funds			
Secured Loans	C	337,909,338	167,980,617
Unsecured Loans	D	117,781,799	27,256,162
		<u>455,691,137</u>	<u>195,236,779</u>
Deferred Tax Liability	E	8,355,761	5,309,245
		<u>661,251,709</u>	<u>308,581,862</u>
APPLICATION OF FUNDS			
Fixed Assets	F		
Gross Block		131,434,553	123,271,914
Less : Depreciation		<u>11,923,949</u>	<u>6,816,657</u>
Net Block		<u>119,510,604</u>	<u>116,455,257</u>
Current Assets, Loans and Advances :	G		
Inventories		356,414,001	169,701,016
Sundry Debtors		745,742,687	258,523,753
Cash & Bank Balances		<u>14,795,817</u>	<u>1,809,261</u>
		<u>1,116,952,505</u>	<u>430,034,030</u>
Loans & Advances		<u>33,174,513</u>	<u>10,348,158</u>
		<u>1,150,127,018</u>	<u>440,382,188</u>
Less:Current Liabilities and Provisions :	H		
Current Liabilities		591,793,369	243,936,423
Provisions		<u>16,592,544</u>	<u>4,319,160</u>
		<u>608,385,913</u>	<u>248,255,583</u>
Net Current Assets		<u>541,741,105</u>	<u>192,126,605</u>
		<u>661,251,709</u>	<u>308,581,862</u>
Notes forming part of the accounts	N	-	-

As per our report of even date
For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi Chairman

Nihar N. Parikh Directors
Vishal S. Doshi

P.S. DOSHI
PROPRIETOR
MUMBAI : 16th June, 2008

MUMBAI : 16th June, 2008

PROFIT & LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2008			
		31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
INCOME			
Sales and Services	I	1,223,467,492	509,853,867
Other Income	J	<u>13,339,010</u>	<u>9,328,690</u>
		<u>1,236,806,502</u>	<u>519,182,557</u>
EXPENDITURE			
Material Cost	K	921,739,605	397,651,233
Manufacturing and Other Expenses	L	191,463,679	71,935,527
Interest	M	13,946,725	11,252,947
Depreciation		<u>5,111,004</u>	<u>2,974,623</u>
		<u>1,132,261,013</u>	<u>483,814,330</u>
Profit Before Taxation		<u>104,545,489</u>	<u>35,368,227</u>
Less:Provision for Income Tax		12,000,000	2,000,000
Less:Provision for Fringe Benefit Tax		330,000	200,000
Less:Provision for Deffered Tax (Net)		<u>3,046,516</u>	<u>2,306,793</u>
Profit after Taxation		<u>89,168,973</u>	<u>30,861,434</u>
Add: Balance Brought forward		<u>68,035,838</u>	<u>37,174,404</u>
Balance carried to Balance Sheet		<u>157,204,811</u>	<u>68,035,838</u>
Earning per share (basic & diluted) Rs.		<u>22.29</u>	<u>7.71</u>
Face Value of shares Rs.10/- each (Refer note 14 of Schedule - N)			
Notes forming part of the accounts	N		

As per our report of even date
For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi Chairman

Nihar N. Parikh Directors
Vishal S. Doshi

P.S. DOSHI
PROPRIETOR
MUMBAI : 16th June, 2008

MUMBAI : 16th June, 2008



CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

Particulars	2007-2008 (Rs.)	2006-2007 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and after extraordinary items	104,545,489	35,368,227
Adjustments for :		
Depreciation	5,111,004	2,974,623
Expenses Paid out of Provision	(56,616)	159,697
Interest Expenses (Net)	13,946,725	11,252,947
Loss on Sale of Assets	10,793	-
Effects of exchange rate change	(27,255,401)	(754,681)
Operating Profit before working capital changes	96,301,994	49,000,812
Adjustments for:		
Trade and Other receivables	(488,420,824)	(53,741,474)
Inventories	(186,712,985)	(45,143,423)
Trade Payables	340,779,933	51,210,762
Cash generated from operations	(238,051,882)	1,326,678
Direct Taxes paid	(8,753,666)	(1,101,888)
Net Cash used in Operating Activities	(246,805,548)	224,790
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(8,223,084)	(78,870,419)
Purchase of Investments	-	-
Sale of fixed assets	45,939	-
Sale of Investments	-	-
Net Cash used in investing activities	(8,177,145)	(78,870,419)
C. CASH FLOW FROM FINANCE ACTIVITIES:		
Proceeds from Issue of Shares	-	39,500,000
Increase in Secured Borrowings from Banks	169,928,721	84,239,050
Increase/(Decrease) in Unsecured borrowings	90,525,637	(36,925,638)
Interest Paid (Net)	(13,946,725)	(11,252,947)
Effects of exchange rate change	21,461,614	3,429,851
Net Cash from financing activities	267,969,247	78,990,316
Net increase in cash and cash equivalents (A+B+C)	12,986,556	344,687
Opening Balance of Cash and Cash equivalent	1,809,261	1,464,574
Closing Balance of Cash and Cash equivalent	14,795,817	1,809,261
Notes to Cash Flow Statement for the year ended 31st March, 2008		
Particulars	2007-2008 (Rs.)	2006-2007 (Rs.)
Cash and Cash Equivalents Include:		
Cash and Bank Balance	5,165,739	801,831
Unrealised Gain/(Loss) on foreign currency Cash and Cash equivalents	9,630,078	1,007,430
Total Cash and Cash Equivalent	14,795,817	1,809,261

As per our report of even date
or **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi Chairman

P.S. DOSHI
PROPRIETOR
MUMBAI : 16th June, 2008

Nihar N. Parikh Directors
Vishal S. Doshi
MUMBAI : 16th June, 2008

SCHEDULE 'A' TO 'N' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
SCHEDULE 'A' - Share Capital		
Authorised		
40,00,000 Equity Shares of Rs. 10/- each	40,000,000	40,000,000
Issued,Subscribed :		
40,00,000 Equity Shares of Rs. 10/- each	40,000,000	40,000,000
[The above shares are held by Shrenuj & Company Limited, the Holding Company]		
SCHEDULE 'B' - Reserves and Surplus		
Surplus as per Profit and Loss Account	157,204,811	68,035,838
	157,204,811	68,035,838
SCHEDULE 'C' - Secured Loans		
Term Loan from Bank	24,227,144	51,198,600
Working Capital Loan from Bank	313,682,194	116,782,017
	337,909,338	167,980,617
Term Loan from Bank is secured by way of first charge on Fixed/Block of Assets, both present and future,at the company's factory situated at Seepz,Mumbai.		
Working Capital Loans from Bank are secured by, Hypothecation of stock in Trade and Book Debts, both present and future and the second charge on Fixed/Block of Assets,both present and future, at the company's factory situated at Seepz,Mumbai.		
Both the above loans are guaranteed by all the Directors of the company in their personal capacity and corporate guarantee is given by the holding company (M/s Shrenuj & Co. Ltd).		
Term Loan is repayable within one year Rs.11474515/- (Previous year Rs.16912108/-)		
SCHEDULE 'D' - Unsecured Loans		
From Shrenuj & Company Limited (Holding Company)	117,781,799	27,256,162
	117,781,799	27,256,162
SCHEDULE 'E' - Deferred Tax Liability		
Deferred Tax Assets & Liability are attributable to the following Items:		
Liability		
Depreciation	8,411,011	5,363,000
Assets		
Provision of Leave	(55,250)	(53,755)
	8,355,761	5,309,245
	8,355,761	5,309,245

SCHEDULE 'F' - Fixed Assets

(Rs.)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
	As At 01.04.2007	Addition	Deduction/ Adjustment	As At 31.03.2008	Up to 01.04.2007	For the Year	Deduction	Up to 31.03.2008	As At 31.03.2007	
Factory Premises (Leasehold)	8,366,346	-	-	8,366,346	731,892	279,436	-	1,011,328	7,355,018	7,634,454
Office Premises	62,964,292	508,097	-	63,472,389	57,617	1,032,026	-	1,089,643	62,382,746	62,906,675
Plant & Machinery	15,280,658	2,707,875	53,500	17,935,033	1,614,644	783,626	2,646	2,395,624	15,539,409	13,666,014
Electrical Installations	4,242,455	1,474,429	-	5,716,884	391,897	269,285	-	661,182	5,055,702	3,850,558
Air Conditioner	2,368,929	173,696	-	2,542,625	174,668	119,873	-	294,541	2,248,084	2,194,261
Office Equipments	3,658,806	1,099,556	6,945	4,751,417	398,327	205,450	1,066	602,711	4,148,706	3,260,479
Computers	5,538,472	683,994	-	6,222,466	1,240,924	958,767	-	2,199,691	4,022,775	4,297,548
Furniture & Fixtures	19,625,725	807,910	-	20,433,635	2,115,026	1,284,359	-	3,399,385	17,034,250	17,510,699
Vehicles	1,167,799	750,193	-	1,917,992	64,062	163,711	-	227,773	1,690,219	1,103,737
Intangible-Software	58,432	17,334	-	75,766	27,600	14,471	-	42,071	33,695	30,832
Total.....	123,271,914	8,223,084	60,445	131,434,553	6,816,657	5,111,004	3,712	11,923,949	119,510,604	116,455,257
Previous Year.....	44,401,495	78,870,419	-	123,271,914	3,842,034	2,974,623	-	6,816,657	116,455,257	40,559,461

Shrenuj Di Jewels Limited
(Formerly known as ADITI DIAMIPEX TRADING AND MANUFACTURING COMPANY LIMITED)

	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
SCHEDULE 'G' - Current Assets, Loans and Advances				
A. Current Assets				
Inventories				
(As taken, valued and certified by the Management)				
Stores, Spares and Tools	2,130,736	1,413,222		
Raw Materials	323,411,841	163,197,899		
Finished Goods	30,871,424	5,089,895		
	<u>356,414,001</u>	<u>169,701,016</u>		
Sundry Debtors				
(Unsecured, Considered good)				
Exceeding six months	162,212,476	36,320,068		
Others	583,530,211	222,203,685		
	<u>745,742,687</u>	<u>258,523,753</u>		
Cash and Bank Balances				
Cash on hand	41,326	257,833		
Balance with Schedule Banks				
In Current Accounts	5,124,413	937,130		
Margin Money with Bank	8,984,960	-		
In Fixed Deposits	645,118	614,299		
	<u>14,795,817</u>	<u>1,809,261</u>		
	<u>1,116,952,505</u>	<u>430,034,030</u>		
B. Loans & Advances				
(Unsecured, Considered good)				
Advance to Suppliers	956,979	759,972		
Advance recoverable in cash or in kind or for value to be received	20,224,651	6,348,969		
Advance Taxes	11,992,883	3,239,217		
	<u>33,174,513</u>	<u>10,348,158</u>		
	<u>1,150,127,018</u>	<u>440,382,188</u>		
SCHEDULE 'H' - Current Liabilities and Provisions				
A. Current Liabilities				
Sundry Creditors	586,432,797	240,223,088		
Other Liabilities	5,360,572	2,937,865		
Bank Balance (with Scheduled bank in current a/c. as per books of a/c. only)	-	775,470		
	<u>591,793,369</u>	<u>243,936,423</u>		
B. Provisions				
Provision for Leave Encashment	162,544	219,160		
Provision for Fringe Benefit Taxation	730,000	400,000		
Provision for Taxation	15,700,000	3,700,000		
	<u>16,592,544</u>	<u>4,319,160</u>		
SCHEDULE 'I' - Sales and Services				
Manufacturing Export	1,018,264,630	505,464,141		
Trading Export	2,573,198	3,307,275		
Sale to other Seepz units	202,629,664	1,082,451		
	<u>1,223,467,492</u>	<u>509,853,867</u>		
SCHEDULE 'J' - Other Income				
Rent (Gross) (Tax Deducted at Source Rs.444383/- Previous Year Rs.297873/-)	2,131,640	1,417,420		
Miscellaneous Income	11,207,370	7,911,270		
	<u>13,339,010</u>	<u>9,328,690</u>		
SCHEDULE 'K' - Material Cost				
(a) Raw Materials Consumed				
Stock at Commencement	163,197,899	105,732,846		
Add : Purchases	1,162,522,988	446,979,069		
	<u>1,325,720,887</u>	<u>552,711,915</u>		
Less: Sale of Raw Materials	56,048,193	3,707,774		
Stock at Close	323,411,841	163,197,899		
	<u>379,460,034</u>	<u>166,905,673</u>		
Less: Goods Lost in Transit	946,260,853	385,806,242		
	<u>1,312,917</u>	<u>1,551,525</u>		
(b) Purchase of Finished Goods	944,947,936	384,254,717		
(c) Variation in Stock of Finished Goods	2,573,198	1,082,451		
Stock at Commencement	5,089,895	17,403,960		
Less : Stock at Close	30,871,424	5,089,895		
	<u>921,739,605</u>	<u>397,651,233</u>		
SCHEDULE 'L' - Manufacturing & Other Expenses				
Manufacturing Expenses				
Stores & Spares Consumed	5,159,842	5,371,384		
Power & Fuel	2,984,581	2,257,765		
Water Charges	402,773	197,990		
Design Charges	858,899	2,920,264		
Rent	766,733	839,227		
Rates & Taxes	225,240	128,040		
Machinery Repairs	-	10,200		
Other Manufacturing Expenses	127,284,515	29,908,391		
	<u>137,682,583</u>	<u>41,633,261</u>		
Employees' Emoluments				
Salaries, Wages, Gratuity, Bonus, etc.	17,182,432	12,497,931		
Contribution to Provident and Other Funds	1,381,793	758,006		
Welfare Expenses	2,662,653	2,183,843		
	<u>21,226,878</u>	<u>15,439,780</u>		
Selling & Distribution Expenses				
Airfreight & Forwarding Charges	5,963,073	2,142,414		
Entertainment Expenses	-	45,869		
Export Commission	8,620,674	1,216,278		
Exhibition Expenses	148,292	-		
	<u>14,732,039</u>	<u>3,404,561</u>		
Other Expenses				
Insurance	678,862	483,364		
Other Repairs	1,183,078	1,410,608		
Legal & Professional Charges	1,476,540	1,469,486		
Travelling, Conveyance & Vehical Expenses	2,367,896	3,181,936		
Miscellaneous Expenses	12,028,802	4,837,031		
Donation	2,001	500		
Remuneration to Auditors	85,000	75,000		
	<u>17,822,179</u>	<u>11,457,925</u>		
	<u>191,463,679</u>	<u>71,935,527</u>		
SCHEDULE 'M' - Interest				
Bank Interest on Term Loan	2,211,634	1,275,014		
Other Bank Interest	10,283,562	8,397,534		
Interest Others	1,495,340	1,624,798		
Interest Received (Gross) (Tax Deducted at Source Rs.8000/- Previous Year Rs.9967/-)	(43,811)	(44,399)		
	<u>13,946,725</u>	<u>11,252,947</u>		

SCHEDULE – N

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

- i. The Company follows accrual system of accounting.
- ii. The financial statements are prepared under the historical cost convention and in accordance with the normally accepted accounting principles as adopted consistently by the Company.
- iii. Accounting policies not specifically referred to otherwise is consistent and in consonance with generally accepted accounting principles.

B. Use of Estimate

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during reporting period. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

C. Fixed Assets and Depreciation

- i. Fixed Assets are stated at acquisition cost/construction cost less accumulated depreciation. Cost of construction include cost attributable to bring the assets to its intended use and includes related borrowing cost.
- ii. Intangible Assets are stated at cost of acquisition less accumulated amortization. These assets are amortised over a period of five years on a straight line basis.
- iii. Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

D. Foreign Currency Transactions, Financial Derivatives

- i. Foreign Currency Transactions (FCT) and forward contracts used to hedge FCT (including firm commitments and forecast transactions) are initially recognised at the spot rate on the date of transaction/contract.
- ii. Monetary assets and liabilities relating to FCT and forward contracts remaining outstanding at the end of the year are translated at the year end rates.
- iii. The difference in translation and realised gains and losses on foreign exchange transactions (including option contracts), are recognised in Profit and Loss Account except in cases where they relate to acquisition of fixed assets, in which they are adjusted to carrying cost of such assets. Further in respect of transactions covered by forward contracts, the differences between the contract rate and spot rate on the date of contract is charged to Profit and Loss Account over the period of contract.
- iv. Non monetary foreign currency items are carried at cost.
- v. In respect of derivative contracts, premium paid, gains / losses on settlement and provision for losses (excluding on effective hedges) are recognised in the Profit and Loss Account, along with the underlying exposure.

E. Inventories

- i. Raw Materials are valued at cost or at estimated net realisable value whichever is lower. The cost is determined on First in First out (FIFO) basis.
- ii. Finished goods are valued at cost or net realisable value whichever is lower. The cost is determined by Specific Identification method.
- iii. Stores, spares parts and loose tools are valued at cost on FIFO basis.

F. Employee Benefits:

i) Short Term Benefits:

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

ii) Long Term Benefits:

- a) **Provident Fund:**
Eligible employees of the company receive benefit in the form of provident fund which is a defined contribution plan, wherein both the employee and the company makes monthly contribution equal to specified percentage of the eligible employees' salary. This contribution are made to the fund administered and managed by the Government of India. The employer's contribution to the fund is recognised as an expense in the profit and loss account of the year.
- b) **Gratuity:**
Post employment employee benefits like gratuity is not recognised as an expense. According to the management the company is not covered by Payment of Gratuity Act, 1972 as the required period of the eligibility of gratuity is not completed for any of its employees.
- c) **Leave Salary:**
Provision for leave is recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

G. Taxation

- i. Provision for taxation is made after considering various reliefs admissible under the provision of Income Tax Act.
- ii. Provision for fringe benefit tax is made at current applicable rates on expenses falling within the ambit of fringe benefit as defined under the Income Tax Act.
- iii. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

H. Borrowing Cost

Borrowing Costs that are attributable to the acquisition or construction of Qualifying Assets are capitalized as part of the cost of such assets. A Qualifying Asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

I. Provisions for Contingencies

A provision is recognised when:

- The Company has a present obligation as a result of a past event:
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation; that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

j. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

- 2. (a) There are no Small Scale Undertakings, to whom the company owes a sum which is outstanding for more than 30 days at the Balance Sheet date. This information has been determined on the basis of information available with the Company. This has been relied upon by the auditors.
- (b) Suppliers/Service providers covered under Micro, Small Medium Enterprises Development Act 2006, have not furnished the information regarding filing of necessary memorandum with the appropriate authority. In view of this, information required to be disclosed u/s 22 of the said Act is not given.
- 3. Debtors include debts due from Companies under the same management

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Shrenuj & Company Ltd.	118201237	5077235
Shrenuj DMCC	25875863	327378
Shrenuj USA, LLC	173397777	2727715
Shrenuj Japan Corporation	8389132	513452
C & A Diamond International USA	99219884	59144657
Daily Jewellery	9222528	46258577
Astral GMBH	120798956	41009099
Astral Australia Pty. Ltd.	-	4005398
SHL Gems & Jewellery Pvt. Ltd	188083	428298
Shrenuj Jewellery (Far East) Ltd.	1968345	-
Simon Golub & Sons, Inc	11205785	-
Kiara Jewellery Pvt. Ltd.	858289	-

- 4. Foreign Currency transaction gains aggregating Rs. 32469914 (net) (Previous year Rs.-47,76,898) relating to revenue transactions has been adjusted in the Profit & Loss Account under the respective heads of account.

5. Details of Payment to Auditors

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Audit Fees	50000	45000
Tax Audit Fees	25000	20000
Taxation Matter	10000	10000
Total	85000	75000

6. Licensed and Installed Capacity and Production

Class of Goods	Unit	Licensed	Capacity	Installed Capacity	Actual Production
Studded Jewellery	Nos.	Not Applicable	Not Ascertainable	234420(54350)	

Shrenuj Di Jewels Limited
(Formerly known as ADITI DIAMIPEX TRADING AND MANUFACTURING COMPANY LIMITED)

7. a.) Details of Opening Stock, Sales and Closing Stock of Manufactured Goods

Class of Goods	Unit	Opening Stock		Sales		Closing Stock	
		Qty.	Value	Qty.	Value	Qty.	Value
Studded Jewellery	Nos.	467 (629)	5089895 (17403960)	230609 (54512)	1223467492 (508771416)	4278 (467)	30655765 (5089895)

b.) Details of Purchase and Sale of Trading Goods

Class of Goods	Unit	Opening Stock		Purchases		Sales		Closing Stock	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Studded Jewellery	Nos.	0 (0)	0 (0)	426 (142)	2573198 (1082451)	426 (142)	2573198 (1082451)	0 (0)	0 (0)

8. Details of Raw Material Consumption

Class of Goods	Unit	2007-08		2006-07	
		Qty.	Value (Rs.)	Quantity	Value (Rs.)
Polished Diamonds	Carats	59360.27	525611107	18529.48	265405394
Gold	Gms.	409563.76	431568562	130429.73	116543029
Precious, Semi precious & Synthetics Stones	Carats	35683.74	6842542	15257.89	3295786
Platinum	Gms.	2388.47	3718867	305.54	287810
Alloys, etc.	Gms.	139913.04	2741856	100128.96	4353244
Exchange Difference			(24222081)		(4228728)
Clearing Charges			-		149707
Total			946260853		385806242

9. Value of imported and indigenous consumption

Particulars	2007-08		2006-07	
	Value (Rs.)	Percentage %	Value (Rs.)	Percentage %
A. Raw Materials:				
Imported	510620768	53.96	234947598	60.90
Indigenously Obtained	435640085	46.04	150858644	39.10
Total	946260853	100.00	385806242	100.00
B. Stores & Spare Parts :				
Imported	2292611	44.86	2096171	39.02
Indigenously Obtained	2867231	55.14	3275213	60.98
Total	5159842	100.00	5371384	100.00

10. Value of Imports on C.I.F. Basis

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Raw Materials	543744683	314997531
Capital Goods	1759465	880194
Stores & Spare Parts	3283811	2746243

11. Expenditure in Foreign Currency

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Foreign Travelling	1074713	2682050
Design Charges	708899	2646572
Freight & Forwarding Charges	716405	54465
Legal & Professional Charges	547177	-
Bank Charges	5132971	1684584
Interest	10393275	8400119

12. Earning in Foreign Exchange

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
FOB Value of Goods Exported	1015188327	503702433
Design Charges	-	5441506

13. Company has followed Accounting Standard (AS-22) "Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India". Accordingly the Company has recognized Net Deferred Tax Liability as at 31st March, 2008 of Rs. 3046516 [Previous Year Rs. 2306793] by Debit to the Profit & Loss Account.

14. As the Company's business activities falls within a single primary business segment viz. Studded Jewellery, the disclosure requirements of Accounting Standard (AS-17) – Segment Reporting issued by the Institute of Chartered Accountants of India are not applicable.

15. Earning per Share

Earning per Share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

Particular	31-03-2008	31-03-2007
Profit after taxation	Rs. 89168973	30861434
Weighted average number of shares	Nos. 40,00,000	40,00,000
Earning per share (basic & diluted)	Rs. 22.29	7.71
Face value per share	Rs. 10.00	10.00

16. Contingent Liabilities not provided for in respect of :

Bank guarantee executed in favor of Third Party amounting to Rs. 2,80,57,952/- Disputed income tax liabilities not provided for Rs. 19,20,500/-.

17. Disclosure Pursuant to Accounting Standard 15 – Employees Benefit :

Effective 1st April, 2007 the Company has adopted Accounting Standard – 15 for Employees Benefits.

Defined Contribution Plan:

Contribution to Provident Fund of Rs.9,43,112/- is recognised as an expense for the year.

Defined Benefit Plan:

a) Gratuity:

Post employment employee benefits like gratuity is not recognised as an expense. According to the management the company is not covered by Payment of Gratuity Act, 1972 as the required period of the eligibility of gratuity is not completed for any of its employees.

b) Leave Salary:

The Company has recognised provision for Leave Salary as expense amounting to Rs.1,62,544/- based on actuarial valuation.

The actuarial assumptions in arriving at provision for Leave Salary for the year are as follows:

Discount Rate	: 8%
Salary Growth	: 5%
Attrition Rate	: 3%
Retirement Age	: 60 Years

18. Forward Contracts

i) Nominal amounts of derivative contracts entered into by the Company and outstanding as on 31st March, 2008 amount to Rs.30,045,000/- (Previous year Rs. NIL) for Hedging Currency and Related Risk.

ii) In accordance with principles of prudence and other applicable guidelines as per Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, the Company has charged an amount of Rs. 86250 to the Profit and Loss Account in respect of Forward contracts outstanding as at 31st March, 2008.

iii) Foreign currency exposures that are not hedged by derivative instruments or Forward Contract as at 31st March, 2008 amount to Rs. 413349468/- (previous year Rs. 137189913/-) represents receivables and Rs. 442168742/- (previous year Rs. 82637156/-) represents payables.

19. Related Party transactions:

As per the Directors

a. Parties where control exists:

Shrenuj & Co. Ltd.	Holding Company
Shrenuj Gems & Jewellery Pvt. Ltd.	Fellow Subsidiary
Daily Jewellery Limited	Fellow Subsidiary
Shrenuj Overseas Ltd.	Fellow Subsidiary
Shrenuj Glitters Ltd.	Fellow Subsidiary
Shrenuj DMCC Dubai (UAE)	Fellow Subsidiary
Astral USA, INC	Fellow Subsidiary
Shrenuj (Mauritius) Pvt. Ltd.	Fellow Subsidiary
Astral Holdings Inc.	Fellow Subsidiary
Shrenuj Japan Corporation	Fellow Subsidiary
Shrenuj U.K. Ltd.	Fellow Subsidiary
Shrenuj Jewellery (Far East) Ltd.	Fellow Subsidiary
Shrenuj N. V. (Antwerp)	Fellow Subsidiary
Intergems Hongkong	Fellow Subsidiary
Shrenuj GMBH	Fellow Subsidiary
C & A Diamonds International, LLC	Fellow Subsidiary
Shrenuj USA, LLC	Fellow Subsidiary
Astral Jewels LLC	Fellow Subsidiary
Bernies International, LLC.	Fellow Subsidiary
Shrenuj Australia Pty Ltd.	Fellow Subsidiary
Lume Group AG	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd. China	Fellow Subsidiary
Shrenuj Botswana (Pty) Ltd.	Fellow Subsidiary
Simon Golub & Sons, Inc.	Fellow Subsidiary
Shrenuj South Africa (Pty) Ltd.	Fellow Subsidiary

b. Associates:

Shrenuj Investment & Finance Pvt. Ltd.
SHL Gems & Jewellery Ltd.
Prest Impex Private Limited
Kiara Jewellery Private Limited
K. K. Doshi & Co.
Tiara Jewellery
Jomard SAS
SWA Trading Co.
Trapz, LLC
Arisia Jewellery Pvt. Ltd.
Copem & Shrenuj

c. Key Management Personnel and their relatives:

Shri. Kirtilal K. Doshi Chairman
Shri. Nihar N. Parikh Director
Shri. Vishal S. Doshi Director
Shri Shreyas K. Doshi Relative

The Following transactions were carried out with the related parties in the ordinary course of business:

i. Details relating to parties referred to in items (a) and (b) above :

Sr. No.	Particulars	Holding Company (Rs.)	Fellow Subsidiary (Rs.)	Associates (Rs.)	
i.	Purchase of Materials / Finished Goods	144283836 (87738832)	146726053 (95043261)	1521423 (50544)	
ii.	Sale of Materials / Finished Goods	288067437 (10078124)	534197105 (261864660)	186092 (1856207)	
iii.	Other Services Received	97420873 (7673939)	1790588 (0)	1302197 (311487)	
iv.	Other Services Provided	4746864 (998320)	0 (3142594)	709606 (419100)	
v.	Goods Lying on Consignment	0 (0)	9813991 (0)	0 (0)	
vi.	Interest Paid on ICD	0 (0)	0 (0)	0 (0)	
vii.	Outstanding Receivable	118201237 (5077235)	450078270 (153986276)	1046372 (428298)	
viii.	Outstanding Payable	170239701 (87908262)	33095705 (26320315)	1702337 (5993510)	
ix.	Intercorporate Deposits	Opening Balance	Received During the Year	Repaid During the Year	Closing Balance
	Shrenuj & Company Ltd.	27256163 (64181800)	173029923 (165484877)	82504287 (202410514)	117781799 (27256163)
	Kiara Jewellery Pvt. Ltd.	0 (0)	0 (22000000)	0 (22000000)	0 (0)

20. Previous year's figures have been re-grouped and/or re-arranged wherever necessary. Figures in bracket relates to previous year.

21. Balance Sheet abstract and Company's General Business Profile:

1. Registration Details

Registration No. 55723
State Code 11
Balance Sheet Date 31st March, 2008

2. Capital raised during the year

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

3. Position of Mobilisation and deployment of Funds

Total Liabilities 661251709
Total Assets 661251709

Sources of Funds:

Paid up Capital 40000000
Reserves & Surplus 157204811
Secured Loans 337909338
Unsecured Loans 117781799
Deferred Tax Liability 8355761

Application of Funds:

Net Fixed Assets 119510604
Investments NIL
Net Current Assets 541741105
Misc. Expenditure NIL

4. Performance of Company

Turnover 1236806502
Total Expenditure 1132261013
Profit Before Tax 104545489
Profit After Tax 89168973
Earning Per Share (Rs.) 22.29
Dividend Rate (%) 0.00

5. General Names of Three Principal Products/services Of the Company (As per monetary terms)

Item Code No. (ITC Code) 711319.03
Product Description Studded Jewellery

For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi Chairman

P.S. DOSHI
PROPRIETOR

Nihar N. Parikh Directors
Vishal S. Doshi

MUMBAI : 16th June, 2008

MUMBAI : 16th June, 2008

Director's Report

The director submits his report and financial statements for the year ended 31 March 2008.

Results

The net profit for the year amounted to AED 16,053,904/- (INR 17,44,16,035)

Review of the business

The company is mainly engaged in trading of polished diamonds and jewellery items.

Events since the end of the year

There were no important events, which have occurred since the year-end that materially affect the company.

Shareholder and it's interest

The shareholder at 31 March 2008 and it's interest as at that date in the share capital of the company was as follows:

	No. of shares	AED	INR
M/s. Shrenuj & Company Limited	11,210	11,210,000	12,17,89,924

Auditor

A resolution to re-appoint **KSI Shah & Associates** as auditors and fix their remuneration will be put to the board at the annual general meeting.

SMITH KOTHARI DIRECTOR

Exchange rate used for translation 1 AED = INR 10.8644

Auditors' Report to the Shareholder of SHRENUJ DMCC

Report on the Financial Statements

We have audited the accompanying financial statements of SHRENUJ DMCC, which comprises the balance sheet as of 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentations of these financial statements in accordance with International Financial Reporting Standards. 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 circumstance.

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 International Standards on Auditing. Those standards require that we comply 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 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **SHRENUJ DMCC** as of 31 March 2008 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

KSI SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS
Dubai, 30 June 2008

Balance Sheet - 31 March 2008

Notes	2008 AED	2007 AED	2008 INR	2007 INR
ASSETS				
Non-current assets				
Fixed assets	3	143,735	201,900	1,561,595
Capital work in progress	4	3,896,684	1,515,845	42,335,134
		4,040,419	1,717,745	43,896,729
Current assets				
Inventories	5	27,833,939	5,306,403	302,399,047
Trade and other receivables	6,15	86,359,407	37,743,326	938,243,141
repayments		117,313	5,666	1,274,535
Due from related parties	15	1,651,500	-	17,942,557
Cash and bank balances	7	42,215,017	13,360,727	458,640,831
		158,177,176	56,416,122	1,718,500,111
Total assets		162,217,595	58,133,867	1,762,396,840
EQUITY AND LIABILITIES				
Shareholder's funds				
Share capital	8	11,210,000	11,210,000	121,789,925
Accumulated profits		19,728,667	3,674,763	214,340,130
Total shareholder's fund		30,938,667	14,884,763	336,130,055
Non current liabilities	9	77,875	-	846,065
Current liabilities				
Trade and other payables	10,15	103,128,246	38,661,604	1,120,426,516
Due to related parties	15	12,149,558	-	131,997,658
Bank borrowings	11	15,923,249	4,587,500	172,996,546
		131,201,053	43,249,104	1,425,420,720
Total equity and liabilities		162,217,595	58,133,867	1,762,396,840

Exchange rate used for translation 1 AED = INR 10.8644

Income Statement for the year ended 31 March 2008

Notes	2008 AED	2007 AED	2008 INR	2007 INR
Revenue	15	211,248,630	72,573,268	2,295,089,616
Cost of sales	12,15	(192,060,951)	(66,368,915)	(2,086,626,996)
Gross profit		19,187,679	6,204,353	208,462,620
Other income	13	2,265,951	-	24,618,198
Expenses	14	(4,627,396)	(2,201,732)	(50,273,881)
Profit from operation		16,826,234	4,002,621	182,806,937
Finance cost		(772,330)	(355,216)	(8,390,902)
Net profit for the year		16,053,904	3,647,405	174,416,035

Exchange rate used for translation 1 AED = INR 10.8644

Statement of Changes in Equity for the year ended 31 March 2008

	Share Capital AED	Accumulated Profits AED	Total AED	Share Capital INR	Accumulated Profits INR	Total INR
As at 31 March 2006	200,000	27,358	227,358	2,172,880	297,228	2,470,108
Introduced during the year	11,010,000	-	11,010,000	119,617,044	-	119,617,044
Net profit for the year	-	3,647,405	3,647,405	-	39,626,867	39,626,867
As at 31 March 2007	11,210,000	3,674,763	14,884,763	121,789,924	39,924,095	161,714,019
Net profit for the year	-	16,053,904	16,053,904	-	174,416,035	174,416,035
As at 31 March 2008	11,210,000	19,728,667	30,938,667	121,789,924	214,340,130	336,130,054

Exchange rate used for translation 1 AED = INR 10.8644

Cash Flow Statement for the year ended 31 March 2008

Notes	2008 AED	2007 AED	2008 INR	2007 INR
Cash flow from operating activities				
Net profit for the year	16,053,904	3,647,405	174,416,035	39,626,867
Adjustment for:				
Depreciation	73,810	69,249	801,901	752,349
Staff end of service benefits	77,875	-	846,065	-
Operating profit before working capital changes	16,205,589	3,716,654	176,064,001	40,379,216
(Increase)/decrease in inventories	(22,527,536)	(4,527,118)	(244,748,162)	(49,184,421)
(Increase)/decrease in trade and other receivables & prepayments	(48,727,728)	(26,675,407)	(529,397,528)	(289,812,292)
Increase/(decrease) in trade and other payables	64,466,642	29,830,825	700,391,385	324,094,015
Net cash from/(used in) operating activities	9,416,967	2,344,954	102,309,696	25,476,518
Cash flows from investing activities				
Purchase of fixed assets	(15,645)	(67,244)	(169,974)	(730,566)
Advance against properties	(2,380,839)	(970,896)	(25,866,387)	(10,548,203)
Investment in fixed deposits	(29,594,029)	-	(321,521,369)	-
(Increase)/decrease in investments	-	257,297	-	2,795,378
Net cash from/(used in) investing activities	(31,990,513)	(780,843)	(347,557,730)	(8,483,391)
Cash flow from financing activities				
Share capital introduced	-	11,010,000	-	119,617,044
Increase/(decrease) in loan from shareholder	-	(4,066,775)	-	(44,183,070)
Increase/(decrease) in related parties balances	10,498,058	-	114,055,101	-
Increase/(decrease) in bank borrowings	11,335,749	4,587,500	123,156,111	49,840,435
Net cash from/(used in) financing activities	21,833,807	11,530,725	237,211,212	125,274,409
Cash and cash equivalents at end of the year	(739,739)	13,094,836	(8,036,820)	142,267,536
Cash and cash equivalents at beginning of year	13,360,727	265,891	145,156,282	2,888,746
Cash and cash equivalents at end of year	16	12,620,988	137,119,462	145,156,282

Exchange rate used for translation 1 AED = INR 10.8644

Notes to the Financial Statements for the year ended 31 March 2008

1. Legal status and business activity

- a) SHRENUJ DMCC is a limited liability company is incorporated under trade license number 30243 at the Dubai Multi Commodities Centre.
- b) The company is registered to carry trading of diamonds, precious metals, precious stones, precious jewellery and pearls.

2. Significant accounting policies

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are as follows:

a) Depreciation of fixed assets:

The cost of fixed assets is depreciated by equal annual installments over their estimated useful lives of four years.

Depreciation on additions is calculated on a pro-rata basis from the month of addition and on deletion up to the month of deletion of the asset.

b) Inventories:

Inventories of rough diamonds and polished are valued at cost as customary in diamond industry. Inventory of jewellery is valued at cost.

c) Trade receivables:

Provision is made for doubtful debts. Bad debts are written off as they arise.

d) Trade and other payables:

Liabilities are recognized for amounts to be paid for goods or services received, whether invoiced by the supplier or not.

e) Staff end of service benefits:

Provision is made for end of service benefits payable at the balance sheet in accordance with the local labour law.

f) Revenue:

Sales represent net amount invoiced for goods delivered or services rendered during the year. Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income is accounted on receipt basis. Referral fee is accounted on accrual basis.

g) Foreign currency transactions:

Transactions in foreign currencies are converted into U.A.E. Dirhams at the rate of exchange ruling on the date of the transaction.

Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the balance sheet date.

Resulting gain or loss is taken to the income statement.

h) Cash and cash equivalents:

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and cheques on hand, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

i) Significant judgments and key assumptions:

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows

Inventory provisions

Management regularly undertakes a review of the company's inventory, stated at AED 27,833,939/- (INR 30,23,99,047) in order to assess the likely realization proceeds, taking into account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment, assumptions are made as to the level of provisioning required.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of receivables owed to the company either from third parties or from related parties and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

	Furniture & office equipment AED	Vehicle* AED	Total AED	Furniture & office equipment INR	Vehicle* INR	Total INR
3 Fixed assets						
Cost						
As at 01.04.2007	213,011	73,430	286,441	2,314,237	797,773	3,112,010
Purchased during the year	15,645	-	15,645	169,974	-	169,974
As at 31.03.2008	228,656	73,430	302,086	2,484,211	797,773	3,281,984
Depreciation						
As at 01.04.2007	64,653	19,888	84,541	702,416	216,071	918,487
Charge for the year	55	18,358	73,810	602	199,449	801,901
As at 31.03.2008	120,105	38,246	158,351	703,018	415,520	1,720,388
Net book value						
As at 31.03.2008	108,551	35,184	143,735	1,179,341	382,253	1,561,595
As at 31.03.2007	148,358	53,542	201,900	1,611,821	581,702	2,193,522

* Vehicle registered in the name of director.

4 Capital work in progress

This represents advance paid for the properties in Dubai UAE. Total cost of the properties is AED 4,700,809 (INR 5,10,71,469) (Refer note 19 for capital commitment)

	2008 AED	2007 AED	2008 INR	2007 INR
5 Inventories				
Polished diamonds and jewellery	*25,993,533	5,306,403	282,404,140	57,650,885
Jewellery	1,840,406	-	19,994,907	-
	27,833,939	5,306,403	302,399,047	57,650,885
*Includes inventories amounting to AED 9,530,970 /- (INR 10,35,48,270) on consignment basis.				
	2008 AED	2007 AED	2008 INR	2007 INR
6 Trade and other receivables				
Trade receivables (refer note 15).	74,943,581	33,709,449	814,217,041	366,232,938
Other receivable (refer note 15)	11,588,729	3,926,477	125,904,587	42,658,817
	86,532,310	37,635,926	940,121,628	408,891,755
Provision for doubtful debts	(360,553)	-	(3,917,192)	-
	86,171,757	37,635,926	936,204,436	408,891,755
Deposits	187,650	107,400	2,038,705	1,166,837
	86,359,407	37,743,326	938,243,141	410,058,592

Exchange rate used for translation 1 AED = INR 10.8644

	2008 AED	2007 AED	2008 INR	2007 INR
7 Cash and bank balances				
Cash on hand	279,396	115,542	3,035,470	1,255,295
Bank balance in:				
Current accounts	12,341,592	3,745,185	134,083,992	40,689,188
Short term deposit	-	9,500,000	-	103,211,800
Fixed deposits	*29,594,029	-	321,521,369	-
	<u>42,215,017</u>	<u>13,360,727</u>	<u>458,640,831</u>	<u>145,156,283</u>

* Includes AED 29,394,029/-under lien, for loan granted to director.

	2008 AED	2007 AED	2008 INR	2007 INR
8 Share capital				
1 1,210 shares of AED 1,000	<u>11,210,000*</u>	<u>11,210,000</u>	<u>121,789,924</u>	<u>121,789,924</u>

(previous year 200 shares of AED 1, 000)

*Includes AED 11,010, 000 (INR 11,96,17,044) share application money received for which shares were issued during the year.

	2008 AED	2007 AED	2008 INR	2007 INR
9 Non-current liabilities				
Staff end of service benefits	<u>77,875</u>	<u>-</u>	<u>846,065</u>	<u>-</u>

	2008 AED	2007 AED	2008 INR	2007 INR
10 Trade and other payables				
Trade payables (refer note 15)	94,214,932	35,858,507	1,023,588,707	389,581,163
Other payables (refer note 15)	8,892,170	2,790,882	96,608,092	30,321,258
Accruals	21,144	12,215	229,717	132,709
	<u>103,128,246</u>	<u>38,661,604</u>	<u>1,120,426,516</u>	<u>420,035,130</u>

	2008 AED	2007 AED	2008 INR	2007 INR
11 Bank borrowings				
Loans*	8,583,249	4,587,500	93,251,850	49,840,435
Bills discounting*	7,340,000	-	79,744,696	-
	<u>15,923,249</u>	<u>4,587,500</u>	<u>172,996,546</u>	<u>49,840,435</u>

* Bank borrowings and other facilities are secured against:

1. Assignment of stock and receivables from Shrenuj DMCC to bank.
2. Corporate Guarantee from Shrenuj & company Limited.

Exchange rate used for translation 1 AED = INR 10.8644

	2008 AED	2007 AED	2008 INR	2007 INR
12 Cost of sales				
Opening stock	5,306,403	779,285	57,650,885	8,466,464
Purchases (refer note 15)	213,026,452	70,567,073	2,314,404,585	766,668,908
Other direct expenses	1,562,035	328,960	16,970,573	3,573,953
	<u>219,894,890</u>	<u>71,675,318</u>	<u>2,389,026,043</u>	<u>71,675,318</u>
Closing stock	(27,833,939)	(5,306,403)	(302,399,047)	(57,650,885)
	<u>192,060,951</u>	<u>66,368,915</u>	<u>2,086,626,996</u>	<u>14,024,433</u>

	2008 AED	2007 AED	2008 INR	2007 INR
13 Other income				
Interest income	185,964	-	2,020,387	-
Profit on sale of brand (refer note 15)	1,428,720	-	15,522,186	-
Referral fees (refer note 15)	651,267	-	7,075,625	-
	<u>2,265,951</u>	<u>-</u>	<u>24,618,198</u>	<u>-</u>

	2008 AED	2007 AED	2008 INR	2007 INR
14 Expenses				
Director's salaries and benefits	1,652,627	715,362	17,954,801	7,771,979
Staff salaries and benefits	1,008,170	373,679	10,953,162	4,059,798
Rent	105,800	101,201	1,149,454	1,099,488
Commission on sales	503,700	73,890	5,472,398	802,771
Other administrative expenses	922,736	868,351	10,024,973	9,434,113
Provision for doubtful debts	360,553	-	3,917,192	-
Depreciation	73,810	69,249	801,901	752,349
	<u>4,627,396</u>	<u>2,201,732</u>	<u>50,273,881</u>	<u>23,920,498</u>

15 Related party transactions

The company in the normal course of business enters into transactions with other business enterprises that fall within the definition of a related party contained in the International Accounting Standard - 24. Related parties are the entities under common ownership and/or common management control, associate entities and entities of relatives and family trust.

The nature and amount of significant transactions during the year and balances as at 31 March 2008 are as under:

	2008 AED	2007 AED	2008 INR	2007 INR
Purchases	170,043,935	60,193,771	1,847,425,327	653,969,206
Sales	42,563,058	1,017	462,422,087	11,051
Referral fees	642,243	-	6,977,585	-
Purchase of Lume brand from HO	1,835,000	-	19,936,174	-
Sale of Lume brand to Lume AG	10,276,000	-	111,642,574	-

Exchange rate used for translation 1 AED = INR 10.8644

The company also receives funds from and provides funds to related parties as and when required to meet working capital requirements.

At the balance sheet date, balances with related parties were as follows:

	2008 AED	2007 AED	2008 INR	2007 INR
Included in current assets:				
Trade receivables	13,119,186	1,259,400	142,532,084	13,682,625
Due from related parties	1,651,500	-	17,942,557	-
Other receivables Lume AG	10,276,000	-	111,642,574	-
Included in current liabilities:				
Trade payables	75,378,632	29,525,554	818,943,610	320,777,429
Other payables	1,835,000	-	19,936,174	-
Due to related parties	12,149,558	3,359,799	131,997,658	36,502,200

16 Cash and cash equivalents

	2008 AED	2007 AED	2008 INR	2007 INR
Cash on hand	279,396	115,542	3,035,470	1,255,295
Bank balances in call and current accounts	12,341,592	3,745,185	134,083,992	40,689,188
Short term deposits	-	9,500,000	-	103,211,800
	<u>12,620,988</u>	<u>13,360,727</u>	<u>137,119,462</u>	<u>145,156,283</u>

17 Financial instruments: Credit, interest rate and exchange rate risk exposures
Credit risk

Financial assets, which potentially expose the company to concentration of credit risk comprise principally of bank balances and trade and other receivables.

The company's bank balances in current and fixed deposit accounts are placed with high credit quality financial institutions.

As at 31 March 2008, there is no significant concentration of credit risk within and outside UAE.

There is no significant concentration of credit risk from the industry in which the company operates.

Exchange rate used for translation 1 AED = INR 10.8644

Interest rate risk

The company has borrowed fund at rates prevailing in international markets.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

18 Financial instruments: Fair value

The fair values of the company's financial assets, comprising of trade and other receivables and bank balances and financial liabilities comprising of trade and other payables and bank borrowings approximate to their carrying values.

19 Capital commitment

During the year, the company has entered into a contract to purchase properties in Dubai U.A.E amounting to AED 4,700,809/- (INR 5,10,71,469) The outstanding capital commitment at the balance sheet date is AED 804,124/- (INR 87,36,324)(not provided).

	2008 AED	2007 AED	2008 INR	2007 INR
20 Contingent liabilities				
Bankers' letters of guarantee	105,500	63,000	1,146,194	684,457

21 Comparative figures

Previous period's figures have been regrouped/reclassified wherever necessary to confirm to the presentation adopted in the current year.

Exchange rate used for translation 1 AED = INR 10.8644



DIRECTORS' REPORT

To the Members,

SHRENUJ GEMS & JEWELLERY PRIVATE LIMITED

Your Directors have pleasure in presenting the FOURTH ANNUAL REPORT and the audited accounts of the Company for the financial year ended 31st March, 2008.

OPERATIONS:

The Company is in the process of setting up a jewellery unit in Special Economic Zone, Andheri, Mumbai and has not started any manufacturing, trading, processing or business activity during the financial year under review. The expenses amounting to Rs.12,69,18,344/- incurred upto the end of the financial year on the above referred project has been capitalized under the head Capital Work in Progress.

FURTHER ISSUE OF SHARES:

The Company has issued/allotted 23,00,000 equity shares of Rs.10/- each to Shrenuj & Company Limited, a holding company on 31st March, 2008 against the share application money received from the said company during the financial year 2007-08. Balance share application money amounting to Rs.9,61,313/- received from the holding company is pending for allotment.

FRESH CERTIFICATE OF INCORPORATION CONSEQUENT TO CHANGE OF NAME:

The name of the Company has been changed from "S. N. Jewellery Private Limited" to "Shrenuj Gems & Jewellery Private Limited" with effect from 21st August, 2007. A fresh Certificate of Incorporation consequent upon change of name dated 21st August, 2007 was received by the Company from the Registrar of Companies, Maharashtra, Mumbai to that effect.

STATUTORY INFORMATION:

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is not given in this Report as the Company had no manufacturing or business activity during the year under review.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report is not given in this Report, as the Company has no employees covered under the aforesaid Section during the year under review.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31st March, 2008;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis .

AUDITORS:

M/s. Prakash S. Doshi & Company, Chartered Accountants, Statutory Auditors of Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Your Directors have proposed to appoint M/s. Prakash S. Doshi, & Co., as Auditors of the Company, subject to the approval of Members at the ensuing Annual General Meeting.

By Order of the Board

KIRTILAL K. DOSHI
CHAIRMAN

Mumbai, 15th May, 2008.

Registered Office:
4/12, Sona Udyog Industrial Estate,
Parsi Panchayat Road,
Andheri (East),
Mumbai – 400 069.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **SHRENUJ GEMS & JEWELLERY PRIVATE LIMITED (Formerly known as S. N. Jewellery Pvt. Ltd.)** as at 31st March, 2008 and Cash Flow Statement for the year ending on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. No profit and loss account has been prepared since the Company is yet to commence its revenue operations and the necessary details as part II of schedule VI to the Companies Act, 1956 have been disclosed in note no.2 of Schedule E as "Project Development Expenditure".

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors Report) Order, 2003 and the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in Paragraph 2 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 the books;
 - c. The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
 - d. In our opinion, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. On the basis of the written representations received from the directors, and taken on records by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts and read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give 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 the Company's affairs as at 31st March, 2008;
 - ii. in the case of cash flow statement, of the cash flow of the Company for the year ended on that date.

For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

PROPRIETOR
P.S. DOSHI
MEMBERSHIP NO. : 11532

MUMBAI : 15th May, 2008

Shrenuj Gems & Jewellery Private Limited (Formerly known as S. N. Jewellery Pvt. Ltd.)

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the accounts of **SHRENUJ GEMS & JEWELLERY PRIVATE LIMITED (Formerly known as S. N. Jewellery Pvt. Ltd.)** for the year ended 31st March, 2008.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of fixed assets
2. The Company does not have any inventory.
3. (a) As informed to us, the Company has granted unsecured loan to holding Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 2,07,74,322 and year end balance of the same was Rs. NIL.
- (b) In our opinion and according to information and explanation given to us, the unsecured loan given to holding Company is chargeable with a rate of interest and other terms and conditions on which loan has been given is not, prima facie, prejudicial to the interest of the Company.
- (c) The Company to whom loans have been granted, as referred in (a) above, have been regular in the payment of interest wherever stipulated. However no repayments as to principal have been stipulated in respect of abovementioned loan outstanding during the year.
- (d) No amount outstanding at the end of the year.
- (e) The Company had not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii)(f) & (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets. There is no purchase of inventory or sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
5. On the basis of an examination of the books of accounts, we are of the opinion that there are no transaction that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence clause 4(v)(b) of the companies (Auditor's Report) Order 2003 is not applicable.
6. The Company has not accepted deposits from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. Internal Audit has not been carried out during the year since the Company's activities pertained to the pre-operative stages and has not commenced commercial activities. However its internal control procedures ensure reasonable internal checking of its finances and other records.
8. As represented to us by the management, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us in respect of statutory and other dues the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it. There are no arrears as at 31st March, 2008 which were due for more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no statutory dues pending to be deposited on account of disputes pending at various forums.
10. As the Company has not completed five years of existence, clause 4(x) of the Companies (Auditor's Report) Order 2003 is not applicable.
11. In our opinion and according to the records of the Company, it has not defaulted in repayment of dues to the bank and has nothing due to financial institution. The Company has not issued any debentures.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. On the basis of review of utilization of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company were applied during the year for the purpose for which they were obtained.
17. On the basis of review of utilization of funds on overall basis, related information as made available to us, and as represented to us by the management, funds raised on short term basis have not been used for long term investment during the year.
18. During the year under consideration, the Company has made preferential allotment of 23,00,000 equity shares of Rs.10 each, fully paid to Holding Company covered in the register maintained under Section 301 of the Companies Act 1956. In our opinion price at which shares have been issued is not prejudicial to the interest of the Company.
19. The Company has not issued debentures.
20. The Company has not raised monies by public issue during the year.
21. During the course of an examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

PROPRIETOR
P.S. DOSHI
MEMBERSHIP NO. 11532

MUMBAI : 15th May, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

Particulars	Schedule	Year Ended 31/03/2008	Year Ended 31/03/2007
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	A	53,961,313	32,461,313
Secured Loan	B	75,074,079	-
TOTAL		129,035,392	32,461,313
APPLICATION OF FUNDS			
Fixed Assets			
Leasehold Land (Gross) (At Cost)		10,500,000	-
Capital Work in Progress		116,418,344	30,224,117
Current Assets, Loan and Advances : C			
Current Assets:			
Cash & Bank Balances		1,116,587	2,227,193
Loans & Advances		2,394,166	47,652
		<u>3,510,753</u>	<u>2,274,845</u>
Less: Current Liabilities and Provisions D			
Current Liabilities		1,358,919	59,063
Provisions		56,200	-
		<u>1,415,119</u>	<u>59,063</u>
Net Current Assets		2,095,634	2,215,782
Profit & Loss Account		21,414	21,414
TOTAL		129,035,392	32,461,313

Notes forming part of the Accounts E

As per our Report of even date
For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

KIRTILAL K. DOSHI
CHAIRMAN
NIHAR N. PARIKH
DIRECTOR
MUMBAI : 15th May, 2008

P.S. DOSHI
PROPRIETOR
MUMBAI : 15th May, 2008



Cash Flow Statement for the year ended 31st March, 2008

Particulars	2007-08	2006-2007
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	-	-
Other Adjustments	-	-
Preliminary Expenses Written off	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-	-
Adjustments for:		
Trade and Other Receivable	(2,297,843)	1,052,348
Trade Payables & others	1,299,856	55,134
CASH GENERATED FROM OPERATIONS	(997,987)	1,107,482
Direct Taxes paid	(48,671)	-
Provision for Income Tax	40,200	-
Provision for Fringe Benefit Tax	16,000	-
NET CASH FLOW FROM OPERATING ACTIVITIES Total	(990,458)	1,107,482
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,500,000)	-
Capital Work in Progress	(86,194,227)	(30,224,117)
NET CASH USED IN FINANCING ACTIVITIES Total	(96,694,227)	(30,224,117)
C) CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds of fresh issue of equity shares / share application money	21,500,000	32,361,313
Secured Loan received during the year	75,074,079	-
Unsecured Loan repaid during the year	-	(1,110,500)
NET CASH USED IN FINANCING ACTIVITIES Total	96,574,079	31,250,813
Net decrease in cash and cash equivalent (A+B+C)	(1,110,606)	2,134,178
Opening balance of cash and cash equivalent	2,227,193	93,015
Closing balance of cash and cash equivalent	1,116,587	2,227,193

As per our Report on even date
For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

KIRTILAL K. DOSHI
CHAIRMAN

P.S. DOSHI
PROPRIETOR
MUMBAI : 15th May, 2008

NIHAR N. PARIKH
DIRECTOR
MUMBAI : 15th May, 2008

SCHEDULE 'A' TO 'D' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

Particulars	Year Ended 31/03/2008	Year Ended 31/03/2007
SCHEDULE - A		
Share Capital		
Authorised		
6000000 Equity Shares of Rs.10/- each	60,000,000	60,000,000
	60,000,000	60,000,000
Issued and Subscribed		
5300000 (3000000) Equity Shares of Rs.10/- each fully paid up	53,000,000	30,000,000
Share Application Money Received Pending Allotment	961,313	2,461,313
<i>(The above shares are held by Shrenuj & Co. Ltd., The Holding Company)</i>		
	53,961,313	32,461,313
SCHEDULE - B		
Secured Loans		
Term Loan from Bank	75,074,079	-
	75,074,079	-
Term Loan from Bank is secured by hypothecation of Fixed Assets as well as the guarantee of the Chairman / a Director and Shrenuj & Company Limited Repayable within a year Rs.11244800/-.		
SCHEDULE - C		
Current Assets, Loans and Advances		
A. Current Assets		
Cash & Bank Balances		
Cash on hand	45,363	23,962
Balance with Scheduled Banks		
In Current Account	1,071,225	2,203,231
	1,116,587	2,227,193

B. Loans and Advances

(Unsecured, Considered Good)		
Deposits	137,152	47,652
Advance recoverable in cash or in kind or for value to be received	2,208,343	-
Advance Tax	48,671	-
	2,394,166	47,652

SCHEDULE - D

Current Liabilities & Provisions

A. Current Liabilities		
Sundry Creditors-Other than small scale industrial undertakings	5,505	59,063
Other Liabilities	1,353,414	-
	1,358,919	59,063
B. Provisions		
Provision for Income Tax	40,200	-
Provision for Fringe Benefit Tax	16,000	-
	56,200	-

SCHEDULE - E

NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Preparation of financial statements

- The Financial Statements have been prepared under the historical cost convention in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.
- Accounting policies not specifically referred to otherwise are consistent with and in accordance with generally accepted accounting principles.

B. Basis of Accounting

All significant items of income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

C. Use of Estimates

The Preparation of Financial Statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during reporting period. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

D. Fixed Assets and Depreciation

- Fixed Assets are stated at acquisition cost/construction cost less accumulated depreciation. Cost of construction include cost attributable to bring the assets to its intended use and includes related borrowing cost.
- Expenses incurred relating to project prior to commencement of commercial production are classified as Project Development Expenditure and disclosed under Capital Work in Progress (Net of Income earned during project development stage).
- Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

E. Foreign Currency Transactions:

- Transactions in foreign currency (if not covered by forward contracts) are accounted for at exchange rate prevailing on the transaction date.
- Current assets/liabilities in foreign currency are restated at exchange rate prevailing on the Balance Sheet date.
- Gains/Losses arising as a result of conversion of foreign currencies relating to revenue transactions are recognized in the Profit & Loss Account under the respective heads of accounts. Premium in respect of forward contract is amortised over a period of contract.

F. Provisions for Contingencies

A provision is recognised when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation; that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Shrenuj Gems & Jewellery Private Limited (Formerly known as S. N. Jewellery Pvt. Ltd.)

2. The company is in the process of setting up a Jewellery Unit in Special Economic Zone and has not started Manufacturing, Trading or Processing activity, hence all the expenses relating to project are transferred to Capital Work in Progress and no Profit & Loss Account is prepared for the year.

Details of Capital Work in Progress:

Sr. No.	Particulars	Rs.	31-03-2008 Rs.	Rs.	31-03-2007 Rs.
1	Capital Work in Progress – Building		83920653.80		29553970.00
2	Capital Work in Progress - Electrical Installation		10203083.00		53331.00
3	Capital Work in Progress - Air Conditioner		7920134.00		25000.00
4	Capital Work in Progress - Furniture & Fixture		16453107.00		-
5	Capital Work in Progress – Plant & Machinery		2931708.00		-
6	Project Development Expenditure:				
	Opening Balance as on 01.04.2007	591816.00		-	
	Bank Charges	1459533.00		1215.00	
	Interest on Term Loan	1546717.00		-	
	Exchange Difference Loss – Term Loan	417247.72		-	
	Rates & Taxes	175616.00		-	
	Salaries	664890.00		-	
	Staff Welfare Expenses	42230.00		-	
	Legal & Professional Fees	51997.00		-	
	Travelling Expenses	122669.00		-	
	Factory License Fees	1625.00		-	
	ROC Fees	10000.00		403666.00	
	Auditors Remuneration	27000.00		8989.00	
	Postage & Telegram	90.00		-	
	Printing & Stationery	1456.00		1250.00	
	Security Charges	297418.00		55295.00	
	Stamp Duty	102800.00		119000.00	
	Sundry Expenses	37579.00		2401.00	
	Telephone Expenses	11040.00		-	
	Xerox Charges	3218.00		-	
	Contributions	3000.00		-	
		5567941.72		-	
	Less : Interest from Bank FD	134484.00		-	
		5433457.72		-	
	Add : Provision for Income Tax	40200.00		-	
	Provision for Fringe Benefit Tax	16000.00	5489657.72	-	591816.00
			126918343.52		30224117.00
	Less : Capitalised Leasehold Land		10500000.00		-
	Total		116418343.52		30224117.00

3. As the Company is not engaged in any Manufacturing, Trading or Processing activity during the year, the requirement of Quantitative information pursuant to Para 3 and other information under Para 4 of the Part II of Schedule VI of the Companies Act, 1956 is not applicable.

4. Capital Commitments :

As at 31.03.2008

Estimated amount of Contracts remaining to be executed on capital

accounts (net of Advances) and not provided for

Rs.302.13 Lacs

5. The Company has not started Manufacturing, Trading or Processing activity during the year. Considering the nature of disclosures required, the following Accounting Standards issued by the Institute of Chartered Accountants of India, are not applicable to the Company.

Accounting Standard - 2 Valuation of Inventories

Accounting Standard - 15 Accounting for Retirement Benefits in the Financial Statement of Employees Benefits (Revised 2005)

Accounting Standard - 17 Segment Reporting

Accounting Standard - 19 Accounting for Lease

Accounting Standard - 22 Accounting for Taxes on Income

Accounting Standard - 28 Impairment of Assets

6. **Earnings per Share:**

Earnings per share is calculated by dividing the Profit/(Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. For the year, in the absence of Profit and Loss account it is not applicable.

7. Previous years figures have been regrouped / recast wherever necessary.



8. Related Party transactions:

As per the Directors

a. Parties where control exists:

Shrenuj & Co. Ltd.	Holding Company
Shrenuj Diajewels Ltd.	Fellow Subsidiary
Daily Jewellery Ltd.	Fellow Subsidiary
Shrenuj Overseas Ltd.	Fellow Subsidiary
Shrenuj Glitters Ltd.	Fellow Subsidiary
Shrenuj DMCC Dubai (UAE)	Fellow Subsidiary
Astral USA, INC	Fellow Subsidiary
Shrenuj (Mauritius) Pvt. Ltd.	Fellow Subsidiary
Astral Holdings Inc.	Fellow Subsidiary
Shrenuj Japan Corporation	Fellow Subsidiary
Shrenuj U.K. Ltd.	Fellow Subsidiary
Shrenuj Jewelry (Far East) Ltd.	Fellow Subsidiary
Shrenuj N. V. (Antwerp)	Fellow Subsidiary
Intergems (HK) Ltd.	Fellow Subsidiary
Shrenuj GMBH	Fellow Subsidiary
C & A Diamonds International, LLC	Fellow Subsidiary
Shrenuj USA, LLC	Fellow Subsidiary
Astral Jewels LLC	Fellow Subsidiary
Bernies International, LLC.	Fellow Subsidiary
Shrenuj Botswana (Pty) Ltd.	Fellow Subsidiary
Shrenuj Australia Pty Ltd.	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd. China	Fellow Subsidiary
Simon Golub & Sons, Inc.	Fellow Subsidiary
Lume Group AG	Fellow Subsidiary
Shrenuj South Africa (Pty) Ltd.	Fellow Subsidiary

b. Associates:

Shrenuj Investment & Finance Pvt. Ltd.
SHL Gems & Jewellery Ltd.
Prest Impex Pvt. Ltd.
Kiara Jewellery Pvt. Ltd.
K.K. Doshi & Co.
Tiara Jewellery
Jomard SAS
SWA Trading Ltd.
Trapz, LLC
Arisia Jewellery Pvt. Ltd.
Copen & Shrenuj

c. Key Management Personnel and their relatives:

Shri. Kirtilal K. Doshi	Chairman
Shri. Nihar N. Parikh	Director
Shri. Shreyas K. Doshi	Relative
Shri. Vishal S. Doshi	Relative

9. Balance Sheet Abstract and Company's General Business Profile.

1. Registration Details

Registration No.	145253
State Code	11
Balance Sheet Date	31.03.2008

2. Capital Raised during the year

Public Issue	-	Right Issue	-
Share Application Money	961313		
Bonus Issue	-	Private Placement	23000000

3. Position of Mobilisation and Deployment of Funds

Total Liabilities	129035392	Total Assets	129035392
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Sources of Funds

Paid up Capital	53000000	Reserves & Surplus	-
Secured Loans	75074079	Unsecured Loans	-
Share Application Money	961313		

Application of Funds

Net Fixed Assets	126918344	Investments	-
Net Current Assets	2095634	Misc. Expenditure	-
Accumulated Losses	21414		

4. Performance of Company

Turnover	-	Total Expenditure	-
Loss before tax	-	Loss after tax	-
Earning Per Share (Rs.)	-	Dividend Rate %	-

5. Generic Names of Three Principal Products/Service of Company (As per monetary terms)

Item Code No. (ITC Code)	-	Product Description	-
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As per our Report of even date
For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

P.S. DOSHI
PROPRIETOR
MUMBAI : 15th May, 2008

KIRTILAL K. DOSHI
CHAIRMAN
NIHAR N. PARIKH
DIRECTOR
MUMBAI : 15th May, 2008

Shrenuj Glitters Limited (Formerly known as Lume Jewellery Limited)

DIRECTORS' REPORT

To the Members,

SHRENUJ GLITTERS LIMITED

Your Directors have pleasure in presenting the THIRD ANNUAL REPORT and the audited accounts of the Company for the financial year ended 31st March, 2008.

FINANCIAL RESULTS:

	Year ended	
	31/03/2008 (Rs.)	31/03/2007 (Rs.)
Profit / (Loss) before Taxation	(11,578)	(5,094)
Less : Provision for Taxation	-	-
Profit / (Loss) after Taxation	(11,578)	(5,094)
Add: Balance Brought forward	(40,941)	(35,847)
Loss carried to Balance Sheet	(52,519)	(40,941)

During the period under review the Company had incurred a loss of Rs.11,578/- and the same was carried to the Balance Sheet.

OPERATIONS:

The Company had no manufacturing or business activity during the year under review.

FRESH CERTIFICATE OF INCORPORATION CONSEQUENT TO CHANGE OF NAME:

The name of the Company has been changed from "Lume Jewellery Limited" to "Shrenuj Glitters Limited" with effect from 5th September, 2007. A fresh Certificate of Incorporation consequent upon change of name dated 5th September, 2007 was received by the Company from the Registrar of Companies, Maharashtra, Mumbai to that effect.

REQUIREMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 :

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 1999 and forming part of the Directors' Report is not given in this Report, as the Company had no employees covered under the aforesaid Section.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is not given in this Report as the Company had no manufacturing or business activity.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have adopted such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended 31st March, 2008 and of the loss of the Company for that year;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis .

DIRECTORS:

Shri Kirtilal K. Doshi retires by rotation at the ensuing Annual General Meeting and he is eligible for re-appointment.

AUDITORS AND AUDITORS REPORT:

M/s. Prakash S. Doshi & Company, Chartered Accountants, Statutory Auditors of Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Your Directors have proposed to appoint M/s. Prakash S. Doshi, & Co., as Auditors of the Company, subject to the approval of Members at the ensuing Annual General Meeting.

The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1)(B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

The notes on accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

By Order of the Board
Sd/-

KIRTILAL K. DOSHI
Chairman

Mumbai, 15th May, 2008.

Registered Office:

405, Dharam Palace,
100 – 103, N. S. Patkar Marg,
Mumbai – 400 007.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **SHRENUJ GLITTERS LIMITED (Formerly known as Lume Jewellery Ltd.)** as at 31st March, 2008 and also the Profit and Loss Account and Cash Flow Statement for the period ending on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditors Report) Order, 2003 and the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred to in Paragraph 2 above, we report that:-
 - 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;
 - In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
 - In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
 - On the basis of the written representations received from the directors, and taken on records by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :
 - in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2008;
 - in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date, and
 - in the case of cash flow statement, of the cash flow of the Company for the year ended on that date.

For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

PROPRIETOR
P.S. DOSHI
MEMBERSHIP NO. 11532

MUMBAI : 15th May, 2008



ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the accounts of **Shrenuj Glitters Limited (Formerly known as Lume Jewellery Ltd.)** for the year ended 31st March, 2008)

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

1. The Company does not own any fixed assets.
2. The Company does not have any inventory.
3. (a) The Company has not granted loan to any party covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii)(b) to (d) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
(b) The Company has not taken any loan from any parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii)(f) to (g) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business. There is no purchase of inventory and fixed assets or sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
5. On the basis of an examination of the books of accounts, we are of the opinion that there are no transaction that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence clause 4(v)(b) of the companies (Auditor's Report) Order 2003 is not applicable.
6. The Company has not accepted deposits from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. The requirement of internal audit system is not applicable to the Company.
8. As represented to us by the management, the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
9. As the Company has not started any commercial activity and there are no employees, the clause No. 4 (ix) (a) and (b) of the companies (Auditor's Report) Order 2003 regarding payment of statutory dues is not applicable to the Company.
10. As the Company has not completed five years of existence, Clause 4(x) of the Companies (Auditor's Report) Order 2003 is not applicable.

11. In our opinion and according to the records of the Company, it has not defaulted in repayment of dues to the bank and has nothing due to financial institution. The Company has not issued any debentures.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. The Company has not taken term loan.
17. On the basis of review of utilization of funds on overall basis, related information as made available to us, and as represented to us by the management, funds raised on short term basis have not been used for long term investment during the year.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act 1956.
19. The Company has not issued debentures.
20. The Company has not raised monies by public issue during the year.
21. During the course of an examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

PROPRIETOR
P.S. DOSHI
MEMBERSHIP NO. 11532

MUMBAI : 15th May, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE	31ST MARCH,2008 (Rupees)	31ST MARCH,2007 (Rupees)
SOURCES OF FUNDS		
Shareholders' Fund		
Share Capital	A	500,000
		500,000
		500,000
APPLICATION OF FUNDS		
CURRENT ASSETS,		
LOANS AND ADVANCES :		
Cash & Bank balances	B	460,850
LESS : CURRENT LIABILITIES AND PROVISIONS :	C	13,369
Current Liabilities		5,616
NET CURRENT ASSETS		447,481
PROFIT AND LOSS ACCOUNT		52,519
		500,000

Notes forming part of the accounts D

As per our report of even date
For PRAKASH S.DOSHI & CO.
Chartered Accountants

P.S. Doshi
Proprietor

Mumbai : 15th May, 2008

Kirtilal K. Doshi
Shreyas K. Doshi
Nihar N. Parikh
Directors

Mumbai : 15th May, 2008

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

SCHEDULE	31ST MARCH,2008 (Rupees)	31ST MARCH,2007 (Rupees)
INCOME		
EXPENDITURE		
Auditors Remuneration		
Audit Fees	5,000	2,247
Taxation Fees	5,000	2,247
Certification Fees	-	-
	10,000	4,494
Preliminary Expenses	0	0
Filing Fees	1,428	600
Sundry Expenses	150	
Loss Before Taxation	11,578	5,094
Provision for Taxation	-	-
Loss for the year	11,578	5,094
Add : Balance B/fd.	40,941	35,847
Balance carried to Balance Sheet	52,519	40,941
Earning per share (basic & diluted) Rs.		
Face Value of shares Rs.10/- each	-0.23	-0.10

Notes forming part of the accounts D

As per our report of even date
For PRAKASH S.DOSHI & CO.
Chartered Accountants

P.S. Doshi
Proprietor

Mumbai : 15th May, 2008

Kirtilal K. Doshi
Shreyas K. Doshi
Nihar N. Parikh
Directors

Mumbai : 15th May, 2008

Cash Flow statement

Annexed to the Balance Sheet for the year ended 31st March 2008

	2007-2008	2006-2007
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	(11,578)	(5,094)
Adjustments for:		
Depreciation	-	-
Other Adjustments	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(11,578)	(5,094)
Adjustments for:		
Amounts payable	7,753	4
CASH GENERATED FROM OPERATIONS	(3,825)	(5,090)
Direct Taxes paid	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(3,825)</u>	<u>(5,090)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	-	-
Purchase of Investments	-	-
Sale of Fixed assets	-	-
Sale of Investments	-	-
Movement of Loans	-	-
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
C) CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds of fresh issue of equity shares	-	-
Interest paid	-	-
Dividend paid	-	-
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalent	(A+B+C) (3,825)	(5,090)
Opening balance of cash and cash equivalent	464,675	469,765
Closing balance of cash and cash equivalent	460,850	464,675

As per our report of even date
For PRAKASH S.DOSHI & CO.
Chartered Accountants

P.S. Doshi
Proprietor

Mumbai : 15th May, 2008

Kirtilal K. Doshi
Shreyas K. Doshi
Nihar N. Parikh
Directors

Mumbai : 15th May, 2008

SCHEDULE 'A' TO 'D' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE	31ST MARCH, 2008 (Rupees)	31ST MARCH, 2007 (Rupees)
SCHEDULE 'A' - Share Capital		
Authorised		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
Issued, Subscribed and Paid up		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
(The above Shares are held by Shrenuj & Co. Ltd., the Holding Company)		
SCHEDULE 'B' - Current Assets, Loans and Advances		
Current Assets		
Cash and Bank Balances		
Cash on Hand	5,687	7,265
Balance with Scheduled Banks		
In Current Account	455,163	457,410
	460,850	464,675
	460,850	464,675
SCHEDULE 'C' - Current Liabilities		
Current Liabilities		
Sundry Creditors	13,369	5,616
	13,369	5,616

SCHEDULE - D

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

- The Company follows accrual system of accounting.
- The financial statements are prepared under the historical cost convention and in accordance with the normally accepted accounting principles as adopted consistently by the Company.
- Accounting policies not specifically referred to otherwise is consistent and in consonance with generally accepted accounting principles.

B. Use of Estimate

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during reporting period. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

2. As the Company is not engaged in any Manufacturing, Trading or Processing activity during the year, the requirement of Quantitative information pursuant to Para 3 and other information under Para 4 of the Part II of Schedule VI of the Companies Act, 1956 is not applicable.

3. The Company has not started Manufacturing, Trading or Processing activity during the year. Considering the nature of disclosures required, the following Accounting Standards issued by the Institute of Chartered Accountants of India, are not applicable:

Accounting Standard - 2	Valuation of Inventories
Accounting Standard - 4	Contingencies and Events Occurring After The Balance Sheet Date
Accounting Standard - 10	Accounting for Fixed Assets
Accounting Standard - 11	The Effects of Changes in Foreign Exchange Rates
Accounting Standard - 15	Accounting for Retirement Benefits in the Financial Statement of Employees Employees Benefits (Revised 2005)
Accounting Standard - 16	Borrowing Costs
Accounting Standard - 17	Segment Reporting
Accounting Standard - 28	Impairment of Assets
Accounting Standard - 29	Provisions, Contingent Liabilities and Contingent Assets

4. Earning per Share:

Earning per Share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

Particular	31-03-2008	31-03-2007
Profit after taxation	Rs. -11578	-5094
Weighted average number of shares	Nos. 50000	50000
Earning per share (basic & diluted)	Rs. -0.23	-0.10
Face value per share	Rs. 10.00	10.00

5. The Accounting Standard 22, viz. Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, has become applicable to the Company. The Company has incurred Losses during Accounting Year. As the Company has not started any commercial activity the Directors consider it prudent to defer any recognition of Net Deferred Tax Assets.

6. Related Party transactions:

As per the Directors

a. Parties where control exists:

Shrenuj & Co. Ltd.	Holding Company
Shrenuj Diajewels Ltd.	Fellow Subsidiary
Shrenuj Gems & Jewellery Pvt. Ltd.	Fellow Subsidiary
Daily Jewellery Ltd	Fellow Subsidiary
Shrenuj Overseas Ltd.	Fellow Subsidiary
Shrenuj DMCC, Dubai (UAE)	Fellow Subsidiary
Astral USA, INC	Fellow Subsidiary
Shrenuj (Mauritius) Pvt. Ltd.	Fellow Subsidiary
Astral Holdings Inc.	Fellow Subsidiary
Shrenuj Japan Corporation	Fellow Subsidiary
Shrenuj U.K. Ltd.	Fellow Subsidiary
Shrenuj Jewellery (Far East) Ltd.	Fellow Subsidiary
Shrenuj N. V. (Antwerp)	Fellow Subsidiary

Intergems (HK) Ltd.	Fellow Subsidiary
Shrenuj GMBH	Fellow Subsidiary
C & A Diamonds International, LLC	Fellow Subsidiary
Shrenuj USA, LLC	Fellow Subsidiary
Astral Jewels LLC	Fellow Subsidiary
Bernies International, LLC.	Fellow Subsidiary
Shrenuj Botswana (Pty) Ltd.	Fellow Subsidiary
Shrenuj Australia Pty Ltd.	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd., China	Fellow Subsidiary
Simon Golub & Sons, Inc.	Fellow Subsidiary
Lume Group AG	Fellow Subsidiary
Shrenuj South Africa (Pty) Ltd.	Fellow Subsidiary
Lume Germany GmbH	Fellow Subsidiary
b. Associates:	
Shrenuj Investment & Finance Pvt. Ltd.	
SHL Gems & Jewellery Ltd.	
Prest Impex Private Ltd.	
Kiara Jewellery Private Ltd.	
K. K. Doshi & Co.	
Tiara Jewellery	
Jomard SAS	
SWA Trading Ltd.	
Trapz, LLC	
Arisia Jewellery Private Ltd.	
Copem & Shrenuj	
c. Key Management Personnel and their relatives:	
Shri. Kirtilal K. Doshi	Chairman
Shri. Shreyas K. Doshi	Director
Shri. Nihar N. Parikh	Director
Shri. Vishal S. Doshi	Director

8. Balance Sheet abstract and Company's General Business Profile:

1. Registration Details	
Registration No.	155373
State Code	11
Balance Sheet Date	31 st March, 2008
2. Capital raised during the year	(Rupees)
Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
3. Position of Mobilisation and deployment of Funds	(Rupees)
Total Liabilities	500000
Total Assets	500000
Sources of Funds:	
Paid up Capital	500000
Reserve & Surplus	NIL
Secured Loans	NIL
Unsecured Loans	NIL
Application of Funds:	
Net Fixed Assets	NIL
Investments	NIL
Net Current Assets	447481
Misc. Expenditure	NIL
Accumulated Losses	52519
4. Performance of Company	(Rupees)
Turnover	0
Total Expenditure	11578
Profit Before Tax	11578
Profit After Tax	0
Earning Per Share (Rs.)	-0.23
Dividend Rate (%)	0
5. General Names of Three Principal Products/services of the Company (As per monetary terms)	
Item Code No. (ITC Code)	N. A
Product Description	N. A

For PRAKASH S.DOSHI & CO.

Chartered Accountants

Kirtilal K. Doshi
Shreyas K. Doshi
Nihar N. Parikh
Directors

P.S. Doshi
Proprietor

Mumbai : 15th May, 2008

Mumbai : 15th May, 2008

BALANCE SHEET AT 31ST MARCH, 2008

	2008			
	EURO	EURO	INR	INR
ASSETS				
Property				
Licence Fees		2,817.00		178,479.00
Tangible Assets		71,571.00		4,534,581.00
Finance Assets				
Other recoverables/ advances		276,000.00		17,486,753.00
Circulating Assets				
Closing Stock		1,082,879.72		68,608,877.00
Receivables				
Receivables from Trade	1,813,864.50		114,922,464	
Other receivables	150,494.82		9,535,021	
		1,964,359.32		124,457,485.00
Cash on hand/bank		169,958.97		10,768,226.00
Prepaid expenses		8,309.98		526,502.00
Not covered with capital resources (Contra)		337,723.60		21,397,424.00
		3,913,619.59		247,958,327.00
LIABILITIES				
Capital resources				
Share Capital Equity		25,000.00		1,583,945.00
Capital Reserve/Surplus		747,661.51		47,370,189.00
Accumulated deficit		(704,738.67)		(44,650,692.00)
Annual Deficit/Current year		(405,646.44)		(25,700,866.00)
Not Covered (Contra)		337,723.60		21,397,424.00
		—		—
Accruals				
Other accruals		3,800.00		240,760.00
Creditors	3,069,037.54		194,447,467	
Unsecured loans	840,782.05		53,270,101	
		3,909,819.59		247,717,567.00
		3,913,619.59		247,958,327.00

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2008**

	2008			
	EURO	EURO	INR	INR
Sales / Turnover		3,384,135.73		214,411,395.00
Recovery of Vehicle expenses	9,058.50		573,927.00	
Sales of assets/property	10,744.45		680,745.00	
Other receipts	31,188.50		1,976,035.00	
		50,991.45		3,230,707.00
Purchases	(3,073,122.09)		(194,706,255.00)	
Services	(159,039.18)		(10,076,373.00)	
		(3,232,161.27)		(204,782,628.00)
Salary/Wages & benefits	(201,321.82)		(12,755,308.00)	
Staff welfare/benefits	(102,626.70)		(6,502,202.00)	
		(303,948.52)		(19,257,510.00)
Amortization		(43,755.51)		(2,772,253.00)
Lease Rent		(16,564.18)		(1,049,470.00)
Insurance/Rates & Taxes		(10,310.01)		(653,220.00)
Machinery Repairs		(4.46)		(283.00)
Vehicle expenses		(29,297.15)		(1,856,203.00)
Advertisement & Sales Promotion		(109,680.23)		(6,949,095.00)
Freight & forwarding expenses		(37,566.37)		(2,380,123.00)
Other operating costs		(41,911.41)		(2,655,415.00)
Office/Other costs		(16,015.07)		(1,014,680.00)
Interest received		1,799.42		114,007.00
Interest paid		(191.86)		(12,156.00)
Loss		(404,479.44)		(25,626,927.00)
Taxes of Car		(1,167.00)		(73,939.00)
Annual Deficit		(405,646.44)		(25,700,866.00)

(Exchange rate used for translation 1 EURO = INR 63.3578)

*Disclaimer: The original accounts are stated in German. The above stated are only the translations.***CERTIFICATE**

The prescribed end of the year procedures have been done by me on the basis of the books examined by me and the submitted proofs of existence as well as the information given by:

**Shrenuj GmbH
Pforzheim**

An evaluation of the correctness of these documents and specifications of the enterprise has been done in accordance with the limited scope about the type and range. Based on these the evaluation of correctness is reported.

An evaluation of the correctness of any other documents and specifications was not subject of the assignment.

Dated 19th June, 2008

Ottmar Deibele
Tax counsel

Disclaimer:

The original certificate is issued in German. The above presented is only the translation in English.

Shrenuj Japan Corporation

SHRENUJ JAPAN CORPORATION
 F 100-6511
 WtpWFFt@f93tL@P\$1-5-1 9f3LI:f)t 11F
 TEL: 03-5219-8652/050-7516-9610
 FAX : 03-5219-8653
 E-mail : sakuraba@sakuraba-cpa.com

TO WHOM IT MAY CONCERN

In our opinion, the financial statements of the company Shrenuj Japan Corporation present fairly, in all material respects in conformity with accounting principles generally accepted in Japan.
 Sakuraba CPA Office

Tokyo, Japan
 May 30, 2008

BALANCE SHEET
 Shrenuj Japan Corporation
 The Second Period
 (As of March 31, 2008)

Account Titles	(Yen in thousands)	(INR in thousands)
	Amount	Amount
Current Assets		
Cash	186	75
Bank deposits	8,007	3,223
Accounts receivable	698	281
Goods	5,413	2,179
Prepaid expenses	233	94
Short-term loans receivable	200	81
Accrued revenue	587	236
Less-Allowance for doubtful accounts	(7)	(3)
Total Current Assets	15,317	6,166
Fixed Assets	2,893	1,164
Tangible-Fixed Assets	1,483	597
Buildings and facilities	280	113
Tools, furnitures and fixtures	1,732	697
Less: Accumulated depreciation	(529)	(213)
Total Tangible Fixed Assets	1,483	597
Intangible Fixed Assets	659	265
Software	659	265
Total intangible assets	659	265
Investments and Other Assets	751	302
Leasehold deposits	750	302
Others	1	-
Total investments and other assets	751	302
Total Assets	18,210	7,330
Current Liabilities		
Accounts payable	10,517	4,233
Accrued expenses	11	4
Deposits received	226	91
Income taxes payable	70	28
Reserve for bonuses	225	91
Total Current Liabilities	11,049	4,447
Fixed Liabilities		
Long-term loans	33,710	13,568
Total Fixed Liabilities	33,710	13,568
Total Liabilities	44,759	18,015
Stockholders' equity		
Capital Stock	1,000	403
Earned Surplus	(27,549)	(11,088)
Total Stockholders' Equity	(26,549)	(10,685)
Total Net-assets	(26,549)	(10,685)
Total Liabilities and Net-assets	18,210	7,330

(Exchange rate used for translation 1 YEN = INR 0.4025)

PROFIT AND LOSS STATEMENT
 Shrenuj Japan Corporation
 The Second Period
 (April 1, 2007 - March 31, 2008)

Account Titles	(Yen in thousands)	(INR in thousands)
	Amount	Amount
Sales	71,567	28,806
Cost of sales	(56,713)	(22,827)
Gross Profit on Sales	14,854	5,979
Selling and General Administrative Expenses		
Directors' salaries	3,600	1,449
Employees' salaries	14,400	5,796
Welfare expenses	2,603	1,048
Office supplies	1,155	465
Rent and repair expenses	2,725	1,097
Depreciation expenses	635	256
Traveling expenses	1,423	573
Communication expenses	1,375	553
Commission paid	707	285
Advertising expenses	4,464	1,797
Payment for emoluments	1,964	791
Sales promotion expenses	1,653	665
Other expense	4,719	1,899
Selling, general and administrative expenses Total	41,423	16,674
Operating Income	(26,569)	(10,695)
Non-Operating Revenues	3,266	1,315
Interest income	17	7
Exchange profits	3,055	1,230
Other revenues	194	78
Non-Operating Expenses	101	41
Exchange Losses	66	27
Other expenses	35	14
Ordinary Income	(23,403)	(9,421)
Net income/loss before taxes	(23,403)	(9,421)
Corporation Taxes and Resident Taxes	(70)	(28)
Net Income	(23,473)	(9,449)

(Exchange rate used for translation 1 YEN = INR 0.4025)

Statement of Changes in Net Assets
 Shrenuj Japan Corporation
 The Second Period
 (April 1, 2007 - March 31, 2008)

	(Yen in thousands)				
	Stockholders' Equity				Total Net Assets
	Common Stock	Retained Earnings		Total Stockholders' Equity	
	Other Retained Earnings	Total Retained Earnings			
Balance at March 31, 2007	1,000	(4,075)	(4,075)	(3,075)	(3,075)
Increase/(decrease) of items during the year					
Net income	-	(23,473)	(23,473)	(23,473)	(23,473)
Total increase/(decrease) of items during the year	-	(23,473)	(23,473)	(23,473)	(23,473)
Balance at March 31, 2008	1,000	(27,549)	(27,549)	(26,549)	(26,549)

	(INR in thousands)				
	Stockholders' Equity				Total Net Assets
	Common Stock	Retained Earnings		Total Stockholders' Equity	
	Other Retained Earnings	Total Retained Earnings			
Balance at March 31, 2007	403	(1,640)	(1,640)	(1,238)	(1,238)
Increase/(decrease) of items during the year					
Net income	-	(9,448)	(9,448)	(9,448)	(9,448)
Total increase/(decrease) of items during the year	-	(9,448)	(9,448)	(9,448)	(9,448)
Balance at March 31, 2008	403	(11,088)	(11,088)	(10,686)	(10,686)

(Exchange rate used for translation 1 YEN = INR 40.2484)

Shrenuj Jewelry (Far East) Limited (Formerly named as "Shrenuj (Jewelry Outsourcing) Limited")

REPORT OF THE DIRECTORS

The directors have pleasure to present their annual report and the audited financial statements for the year ended 31st March, 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was trading of jewelry.

FINANCIAL RESULTS AND APPROPRIATION

The results for the year ended 31st March, 2008 and the state of the Company's affairs at that date are set out on the annexed financial statements.

The directors propose no transfer to or from any reserves and no dividend is recommended.

SHARE CAPITAL

On 9th August, 2007, 780,000 additional shares of HK\$1 (INR 5.1526) each were issued at par for cash to increase the capital base to \$936,000 (INR 48,22,834).

FIXED ASSETS

Details of the movements in fixed assets during the year was shown in Note 7 to the financial statements.

DIRECTORS

The directors who held office during the year were:

- Parikh Nihar Nitin
- Doshi Vishal Shreyas

In accordance with the Company's Articles of Association, all directors shall continue to hold office.

DIRECTORS' INTEREST

There were no contracts of significance to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

At no time during the period or at the end of the period was the Company a party to any arrangement which enabled the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The financial statements have been audited by Dave Kwok & Co., Certified Public Accountants who retire and, being eligible, offer themselves for re-appointments.

Chairman
Hong Kong, 23 JUNE 2008

Exchange rate used for translation 1 HK\$ = INR 5.1526

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SHRENUJ JEWELRY (FAR EAST) LIMITED (INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the financial statements of Shrenuj Jewelry (Far East) Limited set out on annexed pages, which comprise the balance sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement 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 the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 risks 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 true 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 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 state of the company's affairs as at 31st March, 2008 and of its profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

DAVE KWOK & CO.

Certified Public Accountants
Hong Kong, 23 JUNE 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Note	2008 HK\$	2007 HK\$	2008 INR	2007 INR
NON-CURRENT ASSETS					
Fixed assets	7	436,536	128,459	2,249,295	661,898
CURRENT ASSETS					
Stock	2(f)	11,384,336	4,129,938	58,658,930	21,279,919
Trade deposit paid		3,092,400	678,780	15,933,900	3,497,482
Rental and utility deposits		35,150	23,400	181,114	120,571
Accounts and others receivable		9,744,255	27,151,353	50,208,248	139,900,061
Tax refundable		26,628	-	137,203	-
Cash and bank balances		202,466	1,842,026	1,043,226	9,491,223
		24,485,235	33,825,497	126,162,621	174,289,256
CURRENT LIABILITIES					
Accounts and others payable		21,072,062	30,080,948	108,575,907	154,995,093
Accrued expenses		1,174,757	580,686	6,053,053	2,992,043
Trade deposit received		919,461	1,287,000	4,737,615	6,631,396
Amount due to related companies	8	624,000	858,000	3,215,222	4,420,931
Amount due to a shareholder	8	-	780,257	-	4,020,352
Provision for taxation		-	26,628	-	137,203
		23,790,280	33,613,519	122,581,797	173,197,018
NET CURRENT ASSETS		694,955	211,978	3,580,824	1,092,238
NET ASSETS		1,131,491	340,437	5,830,119	1,754,136
Financed by:					
SHARE CAPITAL	9	936,000	156,000	4,822,832	803,806
RETAINED PROFITS		195,491	184,437	1,007,287	950,330
SHAREHOLDERS' FUND		1,131,491	340,437	5,830,119	1,754,136

Exchange rate used for translation 1 HK\$ = INR 5.1526

The notes annexed hereto form an integral part of these financial statements.

Approved by the Board of Directors on 23-Jun-2008

Director Director

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Note	2008 HK\$	2007 HK\$	2008 INR	2007 INR
TURNOVER	3	33,743,199	33,833,157	173,865,207	174,328,725
COST OF SALES		(31,679,806)	(32,657,103)	(163,233,368)	(168,268,989)
GROSS PROFIT		2,063,393	1,176,054	10,631,839	6,059,736
OTHER REVENUE	3	148,829	21,941	766,856	113,053
ADMINISTRATIVE EXPENSES		(2,177,806)	(976,367)	(11,221,363)	(5,030,829)
FINANCE COST	4	(23,362)	(10,563)	(120,375)	(54,427)
PROFIT BEFORE TAXATION	4	11,054	211,065	56,957	1,087,533
TAXATION CHARGED	5	-	(26,628)	-	(137,203)
PROFIT FOR THE YEAR		11,054	184,437	56,957	950,330

The annexed notes hereto form an integral part of these financial statements.

Exchange rate used for translation 1 HK\$ = INR 5.1526

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

	Share capital HK\$	Retained profits HK\$	Total HK\$	Share capital INR	Retained profits INR	Total INR
Issued of share capital	156,000	-	156,000	803,806	-	803,806
Net profit for the period	-	184,437	184,437	-	950,330	950,330
Balance as at 31st March, 2007	156,000	184,437	340,437	803,806	950,330	1,754,136
Issue of share capital	780,000	-	780,000	4,019,028	-	4,019,028
Net profit for the year	-	11,054	11,054	-	56,957	56,957
Balance as at 31st March, 2008	936,000	195,491	1,131,491	4,822,834	1,007,287	5,830,121

Exchange rate used for translation 1 HK\$ = INR 5.1526



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

	2008	2007	2008	2007
	HK\$	HK\$	INR	INR
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	11,054	211,065	56,957	1,087,534
Adjustments for:				
Exchange gain	(127,457)	-	(656,735)	-
Bank interest	120	1	618	5
Depreciation	117,163	32,115	603,694	165,476
Operating profit before working capital changes	880	243,181	4,534	1,253,015
(Increase) in stock	(7,254,398)	(4,129,938)	(37,379,011)	(21,279,919)
(Increase) in deposits paid	(2,425,370)	(702,180)	(12,496,961)	(3,618,053)
Decrease/(increase) in accounts and others receivable	17,407,098	(27,151,353)	89,691,813	(139,900,061)
(Increase) in tax refundable	(26,628)	-	(137,203)	-
(Decrease)/increase in amounts due to related companies	(234,000)	858,000	(1,205,708)	4,420,931
(Decrease)/increase in amounts due to a shareholder	(780,257)	780,257	(4,020,352)	4,020,352
(Decrease)/increase in accounts and others payable	(9,008,886)	30,080,948	(46,419,186)	154,995,093
Increase in accrued expenses	594,071	580,686	3,061,010	2,992,043
(Decrease)/increase in trade deposit received	(367,539)	1,287,000	(1,893,781)	6,631,396
Cash (used in)/generated from operations	(2,095,029)	1,846,601	(10,794,845)	9,514,797
Exchange gain	127,457	-	656,735	-
Bank interest	(120)	(1)	(618)	(5)
Profits tax paid	(26,628)	-	(137,203)	-
Net cash (used in)/generated from operating activities	(1,994,320)	1,846,600	(10,275,931)	9,514,792
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(425,240)	(160,574)	(2,191,092)	(827,374)
Net cash (used in) investing activities	(425,240)	(160,574)	(2,191,092)	(827,374)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issued of share capital	780,000	156,000	4,019,028	803,806
Net cash generated from financing activities	780,000	156,000	4,019,028	803,806
INCREASE IN CASH AND CASH EQUIVALENTS	(1,639,560)	1,842,026	(8,447,995)	9,491,224
CASH AND CASH EQUIVALENTS AT 31/3/2007	1,842,026	-	9,491,223	-
CASH AND CASH EQUIVALENTS AT 31/3/2008	202,466	1,842,026	1,043,228	9,491,224
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET				
Cash and bank balances	202,466	1,842,026	1,043,228	9,491,224

Exchange rate used for translation 1 HK\$ = INR 5.1526

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

1. REPORTING ENTITY

Shrenuj Jewelry (Far East) Limited is a private company incorporated in Hong Kong with limited liability.

The principal activity of the Company during the year was trading of jewelry.

The Company's registered office is located at Unit K4, 4/F., Kaiser Estate Phase II, 51 Man Yue Street, Hunghom, Kowloon, Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows.

(b) Basis of preparation of the financial statements.

- The measurement basis used in the preparation of the financial statements is historical cost.
- The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rates used for depreciation are as follows:-

Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Plant and machinery	20%

(d) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognized for the assets in prior years.

(e) Revenue recognition

Revenue from the sale of goods is recognised when goods are delivered and the significant risks and rewards of ownership of the goods have been transferred to the buyer.

(f) Stock

Stock is stated at the lower of cost and net realized value.

(g) Foreign currencies

The Company's financial records are maintained and the financial statements are stated in Hong Kong dollars. Transactions in foreign currencies are converted at exchange rate ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the year end are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

(h) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(i) Operating leases

Rental payable under operating leases are charged to the profit and loss account on a straight line basis over the leases terms.

(j) Related parties

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

Shrenuj Jewelry (Far East) Limited (Formerly named as "Shrenuj (Jewelry Outsourcing) Limited")

3. REVENUE AND TURNOVER

Turnover represents the invoiced value of goods less returns and discounts in normal course of business.

Revenue recognized during the year is as follows:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Turnover				
Sales	33,743,199	33,833,157	173,865,207	174,328,725
Other revenue				
Commission income	-	21,941	-	113,053
Exchange gain	127,457	-	656,735	-
Sundry income	21,372	-	110,121	-
Total revenue	33,892,028	33,855,098	174,632,063	174,441,778

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
(a) Finance cost:				
Bank charges	23,242	7,909	119,757	40,752
Bank interest	120	1	618	5
Exchange loss	-	2,653	-	13,670
(b) Other items:				
Accountancy and administration fee	8,000	468,000	41,221	2,411,417
Auditors' remuneration	10,500	9,000	54,102	46,373
Depreciation	117,163	32,115	603,694	165,476
Legal and professional fee	77,353	82,984	398,569	427,583
Rent	159,600	104,547	822,355	538,689
Salaries and allowances	427,500	78,728	2,202,737	405,654

Exchange rate used for translation 1 HK\$ = INR 5.1526

5. TAXATION

(a) No Hong Kong Profits Tax has been provided as the company has no assessable profit for the year ended 31st March, 2008 (2007: 17.5%)

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Tax provided for the year	-	26,628	-	137,203

(b) The charge for the year can be reconciled to the loss per the income statement as follows:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Profit before taxation	11,054	211,065	56,957	1,087,534
Tax at the applicable tax of 17.5%	1,934	36,936	9,965	190,316
Tax effect on temporary differences not recognized	(53,815)	(10,308)	(277,287)	(53,113)
Tax effect of non-deductible expenses	437	-	2,252	-
Tax effect of unused tax losses not recognized	51,444	(26,628)	265,070	(137,203)
Tax expenses	-	-	-	-

(c) The company has not recognized deferred tax assets/(liabilities) as follows:-

	2008		2007		2008		2007	
	Deductible (taxable) difference/ tax loss	Deferred tax assets/ (liabilities) tax loss	Deductible (taxable) difference/ tax loss	Deferred tax assets/ (liabilities) tax loss	Deductible (taxable) difference/ tax loss	Deferred tax assets/ (liabilities) tax loss	Deductible (taxable) difference/ tax loss	Deferred tax assets/ (liabilities) tax loss
	HK\$	HK\$	HK\$	HK\$	INR	INR	INR	INR
Accelerated depreciation	(366,424)	(64,124)	58,905	10,308	(1,888,036)	(330,405)	303,514	53,113
Tax loss	293,965	51,444	-	-	1,514,684	265,070	-	-
	(72,459)	(12,680)	58,905	10,308	(373,352)	(65,335)	303,514	53,113

The tax losses do not expire under the Hong Kong taxation system.

6. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance is as follows:-

	1.4.2007 to 31.3.2008 HK\$	13.5.2006 to 31.3.2007 HK\$	1.4.2007 to 31.3.2008 INR	13.5.2006 to 31.3.2007 INR
Fees -	-	-	-	-
Other emoluments	-	-	-	-

Exchange rate used for translation 1 HK\$ = INR 5.1526

7. FIXED ASSETS

	Plant & machinery	Furniture, fixtures and equipment	Leasehold improvement	Total	Plant & machinery	Furniture, fixtures and equipment	Leasehold improvement	Total
	HK\$	HK\$	HK\$	HK\$	INR	INR	INR	INR
2008								
At cost								
As at 1.4.2007	0	108,144	52,430	160,574	0	557,223	270,151	827,374
Additions	37,550	49,739	0	42,524	19,348	256,285	0	219,109
As at 31.3.2008	37,550	157,883	52,430	58,581	19,348	813,508	270,151	301,846
Accumulated depreciation								
As at 1.4.2007	0	21,629	10,486	32,115	0	111,446	54,030	165,476
Charges for the year	75,100	31,577	10,486	117,163	38,696	162,704	54,030	603,694
As at 31.3.2008	75,100	53,206	20,972	149,278	38,696	274,150	108,060	769,170
Net book value								
As at 31.3.2008	300,401	104,677	31,458	436,536	154,784	539,358	162,091	224,925
		Furniture, fixtures and equipment	Leasehold improvement	Total	Furniture, fixtures and equipment	Leasehold improvement	Total	
2007		HK\$	HK\$	HK\$	INR	INR	INR	
At cost								
Additions and as at 31.3.2007		108,144	52,430	160,574		557,223	270,151	827,374
Accumulated depreciation								
Charges for the period and as at 31.3.2007		21,629	10,486	32,115		111,446	54,030	165,476
Net book value								
As at 31.3.2007		86,515	41,944	128,459		445,777	216,121	661,898

Exchange rate used for translation 1 HK\$ = INR 5.1526

8. AMOUNTS DUE TO RELATED COMPANIES/SHAREHOLDERS

The advances are unsecured, interest free and have no fixed repayment term.

9. SHARE CAPITAL

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Authorized:				
1,000,000 ordinary shares of HK\$1 each	1,000,000	1,000,000	5,152,600	5,152,600
Issued and fully paid:				
936,000 ordinary shares of HK\$1 each	936,000	156,000	4,822,834	803,806

On 9th August, 2007, 780,000 additional shares of HK\$1 each were issued at par for cash to increase the capital base to HK\$936,000.

10. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following related party transactions:-

Name of company	Persons interest in the transaction	Nature of transaction	Amount	
			HK\$	INR
(a) C & A Diamonds International LLC	Parikh Nihar Nitin	Sales	6,166,035	31,771,112
(b) Shrenuj GmbH	Parikh Nihar Nitin	Sales	2,720,987	14,020,158
(c) Inter-Gems (H.K.) Ltd.	Doshi Vishal Shreyas	Purchases	146,408	754,382
(d) Moon Diamonds Ltd.	Parikh Nihar Nitin	Sales	1,551,797	7,995,789
		Purchases	99,108	510,664
(e) Shrenuj & Co., Ltd.	Parikh Nihar Nitin	Sales	1,782,740	9,185,746
	Doshi Vishal Shreyas	Purchases	8,963,283	46,184,212
(f) Swa-Trading Ltd.	Doshi Vishal Shreyas	Purchases	1,533,675	7,902,414
(g) Shrenuj Japan Corporation	Parikh Nihar Nitin	Sales	135,901	700,243
(h) Shrenuj USA, LLC	Parikh Nihar Nitin	Sales	1,243,078	6,405,084
		Purchases	100,525	517,965
(i) Shrenuj Dijewels Ltd.	Parikh Nihar Nitin	Sales	15,421,918	79,462,975
	Doshi Vishal Shreyas	Purchases	2,345,933	12,087,654
(j) Simon Golub & Sons, Inc.	Parikh Nihar Nitin	Sales	32,033	165,053
	Doshi Vishal Shreyas			

Exchange rate used for translation 1 HK\$ = INR 5.1526

11. ULTIMATE HOLDING COMPANY

The ultimate holding company is Shrenuj (Mauritius) Pvt. Limited incorporated in Republic of Mauritius.

12. COMMITMENTS UNDER OPERATING LEASES

At 31st March, 2008, the company had commitments under operating leases relating to leasehold property as follows:-

	2008 HK\$	2007 HK\$	2008 INR	2007 INR
Leases expiring:				
- within one year	191,450	159,600	986,465	822,355
- after one year but within five years	141,000	50,450	726,517	259,949
	332,450	210,050	1,712,982	1,082,304

Exchange rate used for translation 1 HK\$ = INR 5.1526

Shrenuj (Mauritius) Pvt Ltd.

ANNUAL REPORT

The directors have pleasure in submitting the Annual Report of Shrenuj (Mauritius) Pvt Ltd together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITY

The main activity of the Company is to hold investments.

REVIEW OF BUSINESS

The results for the year are as shown in the Income Statement and related notes. The directors do not recommend the payment of a dividend for the year under review (2007 - Nil).

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The financial statements of the Company are set out on pages 6 to 19. The auditors' report on these financial statements is on pages 4 and 5.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to: -

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

The following directors held office as at 31 March 2008:

Mr Fung Kong Yune Kim
Mr Shreyas Kirtilal Doshi
Mr Vishal Shreyas Doshi

DIRECTORS' REMUNERATION AND SERVICE CONTRACTS

The directors did not receive any remuneration and benefits from the Company and related corporations.

There were no service contracts established between the Company and its directors, either directly or indirectly.

DIRECTORS' INTERESTS IN SHARES

The interests of the directors in the shares of the Company as at 31 March 2008 were as follows:

	Equity shares	
	Held directly Number	Held indirectly Number
Mr Fung Kong Yune Kim	-	-
Mr Shreyas Kirtilal Doshi	-	-
Mr Vishal Shreyas Doshi	-	-
	<u> </u>	<u> </u>

CONTRACTS OF SIGNIFICANCE

During the year under review, there was no contract of significance to which the Company was a party and in which a director of the Company was materially interested, either directly or indirectly.

SHAREHOLDERS**Substantial shareholder**

Shrenuj & Company Limited holds directly 100% of the ordinary share capital of the Company.

DONATIONS

No donations were made during the year under review.

AUDITORS

The fees payable to the auditors, First Island & Associates for audit and other services were:

	2008 MRS	2007 MRS	2008 INR	2007 INR
Audit services	79,650	97,950	1,26,094	1,55,065
Other services	-	-	-	-
	<u>79,650</u>	<u>97,950</u>	<u>1,26,094</u>	<u>1,55,065</u>

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

First Island & Associates have indicated their willingness to continue in office and will be automatically re-appointed at the Annual Meeting.

Approved by the Board of Directors on 25th June 2008 and signed on its behalf by Director.

SECRETARY'S CERTIFICATE

We certify that, based on records and information made available to us by the directors and shareholder of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2008, all such returns as are required of the company under Section 166 (d) of the Companies Act 2001.

For and on behalf of

First Island Secretarial Ltd

Corporate Secretary
Date: 25 JUN 2008

AUDITORS' REPORT TO THE MEMBER OF SHRENUJ (MAURITIUS) PVT LTD

We have audited the financial statements of Shrenuj (Mauritius) Pvt Ltd set out on pages 6 to 19, which have been prepared in accordance with the accounting policies set out on pages 10 to 13.

Directors' responsibilities

As described on page 1, the Company's directors are responsible for the preparation and presentation of financial statements which are in accordance with and comply with International Financial Reporting Standards, which give a true and fair view of the matters to which they relate, and which present fairly the financial position of the Company at 31 March 2008 and its financial performance, changes in equity and cash flows for the year then ended.

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' responsibilities

We are responsible for expressing an independent opinion, based on our audit, on the financial statements presented by the directors and reporting our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Fundamental uncertainty

We draw attention to note 6 in which the Company's investments in Shrenuj U.K. Limited, Shrenuj (Jewellery Outsourcing) Limited, Inter-gems H.K. Ltd, Burnet Holdings (Proprietary) Limited and Shrenuj South Africa (Pty) Ltd are stated at cost of RS 225,801,196 (INR 35,74,65,873), RS 3,936,413 (INR 62,31,735), RS 1,027,231 (INR 16,26,209), RS 652 (INR 1,032) and RS 398 (INR 630) respectively. The carrying value of the investments is based on management's judgemental estimate that the investments have suffered no impairment. Because of the inherent uncertainty of such valuations, the estimated value of the investments may differ significantly from the value that would have been arrived at a ready market for the investments existed or if a professional valuation had been conducted. Because of the potential impact of this matter on the reported results for the year and the carrying value of the investments, we are drawing your attention to it. However, our opinion is not qualified in this respect.

Opinion

We have obtained all the information and explanations required. In our opinion:

- (a) proper accounting records have been kept by the Company as far as it appears from our examination of those records; and
- (b) the financial statements on pages 6 to 19:
 - (i) have been prepared in accordance with and comply with International Financial Reporting Standards;
 - (ii) give a true and fair view of the matters to which they relate; and
 - (iii) present fairly the financial position of the Company at 31 March 2008 and its financial performance, changes in equity and cash flows for the year then ended.

Other matter

This report is made solely to the Company's member, in accordance with section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' 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's member, for our audit work, or this report, or the opinions we have formed.

We have no relationship with, or any interests in, the Company other than in our capacity as auditors and tax advisers.

First Island & Associates

Qaiyoom Dustagheer FCCA, MIPA(M)

Date: 25 JUN 2008

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	NOTE	2008 MRS	2007 MRS	2008 INR	2007 INR
Revenue					
Investment revenue	4	1,034,098	196,605	1,637,081	311,245
Bank interest		1,487	60,296	2,354	95,455
Other income		398	-	630	-
		<u>1,035,983</u>	<u>256,901</u>	<u>1,640,065</u>	<u>406,700</u>
Expenses					
Accounting fees		26,550	32,650	42,031	51,688
Disbursements		3,056	-	4,838	-
Professional fees		-	8,163	-	12,923
Administrative fees		73,457	120,053	116,290	190,056
Registration fees		2,527	2,506	4,000	3,967
Audit fees		79,650	97,950	126,094	155,065
Secretarial fees		27,727	15,442	43,895	24,446
Bank charges		33,214	35,168	52,581	55,674
Exchange loss		5,613,794	239,345	8,887,197	378,907
		<u>5,859,975</u>	<u>551,277</u>	<u>9,276,926</u>	<u>872,726</u>
Loss before taxation		<u>(4,823,992)</u>	<u>(294,376)</u>	<u>(7,636,861)</u>	<u>(466,026)</u>
Income tax expense	5	-	-	-	-
Loss for the year		<u>(4,823,992)</u>	<u>(294,376)</u>	<u>(7,636,861)</u>	<u>(466,026)</u>

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

DIRECTOR

DIRECTOR

The accounting policies on pages 10 to 13, and the notes on pages 13 to 19 are an integral part of these financial statements.
The auditors' report is on pages 4 and 5.

BALANCE SHEET - 31 MARCH 2008

	NOTES	2008 MRS	2007 MRS	2008 INR	2007 INR
ASSETS					
Non-current assets					
Investments in subsidiaries	6	230,765,820	158,978,770	365,325,370	251,679,291
Current assets					
Trade and other receivables	7	90,674,919	68,751,022	143,547,465	108,839,742
Cash and short-term deposit	8	30,706,418	54,785,896	48,611,330	86,731,552
		<u>121,381,337</u>	<u>123,536,918</u>	<u>192,158,795</u>	<u>195,571,294</u>
Total assets		<u>352,147,157</u>	<u>282,515,688</u>	<u>557,484,165</u>	<u>447,250,585</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Stated capital	9	377,051,435	281,757,135	596,910,127	446,049,720
Other reserves	10	(19,834,379)	986,435	(31,399,805)	1,561,625
Accumulated losses		(5,408,412)	(584,420)	(8,562,057)	(925,195)
Total equity		<u>351,808,644</u>	<u>282,159,150</u>	<u>556,948,265</u>	<u>446,686,150</u>
Current liabilities					
Trade and other Payables	11	338,513	356,538	535,900	564,435
Current income tax liabilities		-	-	-	-
		<u>338,513</u>	<u>356,538</u>	<u>535,900</u>	<u>564,435</u>
Total equity and liabilities		<u>352,147,157</u>	<u>282,515,688</u>	<u>557,484,165</u>	<u>447,250,585</u>

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

Approved by the Board of Directors on 25 th June, 2008 and signed on its behalf by:

DIRECTOR

DIRECTOR

The accounting policies on pages 10 to 13, and the notes on pages 13 to 19 are an integral part of these financial statements.

The auditors' report is on pages 4 and 5.

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

	Stated capital MRS	Other reserves MRS	Accumulated losses MRS	Total MRS
At 01 April 2006	59,833,000	(2,266,288)	(290,044)	57,276,668
Issue of shares	221,924,135	-	-	221,924,135
Unrealised gain on exchange	-	3,111,499	-	3,111,499
Unrealised gain on revaluation	-	141,224	-	141,224
Loss for the year	-	-	(294,376)	(294,376)
At 31 March 2007	281,757,135	986,435	(584,420)	282,159,150
Issue of shares	95,294,300	-	-	95,294,300
Unrealised gain on revaluation	-	51,850	-	51,850
Unrealised loss or revaluation	-	(20,872,664)	-	(20,872,664)
Loss for the year	-	-	(4,823,992)	(4,823,992)
At 31 March 2008	377,051,435	(19,834,379)	(5,408,412)	351,808,644

	Stated capital INR	Other reserves INR	Accumulated losses INR	Total INR
At 01 April 2006	94,721,622	(3,587,761)	(459,169)	90,674,692
Issue of shares	351,328,098	-	-	351,328,098
Unrealised gain on exchange	-	4,925,814	-	4,925,814
Unrealised gain on revaluation	-	223,572	-	223,572
Loss for the year	-	-	(466,027)	(466,027)
At 31 March 2007	446,049,720	1,561,625	(925,196)	446,686,149
Issue of shares	150,860,406	-	-	150,860,406
Unrealised gain on revaluation	-	82,084	-	82,084
Unrealised loss or revaluation	-	(33,043,514)	-	(33,043,514)
Loss for the year	-	-	(7,636,862)	(7,636,862)
At 31 March 2008	596,910,126	(31,399,805)	(8,562,058)	556,948,263

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

The accounting policies on pages 10 to 13, and the notes on pages 13 to 19 are an integral part of these financial statements.

The auditors' report is on pages 4 and 5.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2008 MRS	2007 MRS	2008 INR	2007 INR
OPERATING ACTIVITIES				
Loss for the year before taxation	(4,823,992)	(294,376)	(7,636,862)	(466,027)
Adjustments for:				
Interest income	(1,487)	(60,296)	(2,354)	(95,455)
Investment income	(1,034,098)	(196,605)	(1,637,081)	(311,245)
Unrealised gain on exchange	-	3,111,499	-	4,925,814
Unrealised gain on revaluation	51,850	-	82,084	-
Unrealised loss on revaluation	(1,815,177)	(506,847)	(2,873,607)	(802,389)
Realised loss on exchange	2,025,310	-	3,206,268	-
Operating (loss) / profit before working capital changes	(5,597,594)	2,053,375	(8,861,552)	3,250,698
Decrease in prepayments and other receivables	39,868	58,988	63,115	93,384
(Decrease) / increase in trade and other payables	(18,025)	224,103	(28,535)	354,777
Net cash (used in) / generated from operating activities	(5,575,751)	2,336,466	(8,826,972)	3,698,859
INVESTING ACTIVITIES				
Payments for purchase of investments in subsidiaries	(71,787,050)	(101,927,250)	(113,646,079)	(161,361,029)
Loans granted to subsidiaries	-	(10,936,765)	-	(17,313,993)
Advance to subsidiary	(1,396,109)	-	(2,210,180)	-
Advance to subsidiary towards share application	(18,258,000)	-	(28,904,240)	-
Other loans granted	(32,620,300)	(62,191,540)	(51,641,197)	(98,455,427)
Repayment of loan from subsidiary	9,402,190	-	14,884,607	-
Repayment of other loans	-	6,629,250	-	10,494,766
Interest income	1,487	60,296	2,354	95,455
Investment income received	859,755	74,167	1,361,078	117,414
Net cash used in investing activities	(113,798,027)	(168,291,842)	(180,153,657)	(266,422,814)
FINANCING ACTIVITIES				
Issue of shares	95,294,300	221,924,135	150,860,406	351,328,098
Repayment of borrowings	-	(1,317,841)	-	(2,086,274)
Net cash generated from financing activities	95,294,300	220,606,294	150,860,406	349,241,824
Net (decrease) / increase in cash and cash equivalents	(24,079,478)	54,650,918	(38,120,222)	86,517,868
Cash and cash equivalents at beginning of year	54,785,896	134,978	86,731,552	213,684
Cash and cash equivalents at end of year	<u>30,706,418</u>	<u>54,785,896</u>	<u>48,611,330</u>	<u>86,731,552</u>

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

The accounting policies on pages 10 to 13, and the notes on pages 13 to 19 are an integral part of these financial statements.

The auditors' report is on pages 4 and 5.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. 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 International Financial Reporting Standards and generally accepted accounting principles 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.

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

In addition, the Company has elected to adopt IFRS 7 "Financial Instruments: Disclosures". The impact of the new Standard has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments. The Company has also elected to present information regarding its objectives, policies and processes for managing

capital (Note 3) as required by amendments to the IAS 1 "Presentation of Financial Statements".

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the assets.

(i) Initial recognition

Investments are initially measured at cost. Cost of purchase includes transaction cost.

(ii) Subsequent recognition

Investments for which fair values cannot be measured reliably are recognised at cost less impairment. There is no active market for these investments and an absence of track records of similar investments. There is no alternative reliable method to calculate the fair value of such investments.

Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on such securities are recognised directly in equity, until the security is disposed of or found to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Income Statement for the year. On disposal, the profit or loss recognised in the income statement is the difference between the proceeds and the carrying amount of the asset.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement until the investments are sold.

Investment in subsidiary

Investment in subsidiary is shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution or impairment in value. Where there has been a permanent diminution or impairment in value of an investment, it is recognised as an expense in the period in which the diminution is identified.

Consolidated financial statements

The Company has subsidiaries as disclosed in Note 6 and has taken advantage of paragraph 10 of International Accounting Standard 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and Section 212 (2) of the Companies Act 2001, which dispenses it from the need to present consolidated financial statements. The parent that is itself ultimately owned by another enterprise may not always present consolidated financial statements since such statements may not be required by its parent and the need of other users may be best served by the consolidated financial statements of its ultimate holding company. The Company is a wholly owned subsidiary of Shrenuj & Company Limited, which presents consolidated Financial Statements and whose registered office is Diamond Division, 405 Dharam Palace, 100-103 N.S. Patkar Marg, Mumbai 400 007, India.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same and discounted cash flow analysis or other valuation models.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Cash and cash equivalents

Cash comprises balances with banks. 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.

Trade receivables

Trade receivables are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Trade payables

Trade payables are recognised initially at cost and subsequently measured at amortised cost using the effective interest method.

Borrowings

All loans and borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its 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 assets is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in the year in which the impairment is identified.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset, or a part of a financial asset, is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of a financial liability, or part thereof, that is discharged or cancelled or expired or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events, and it is probable that it will result in an outflow of economic benefits that can be reasonably measured.

Revenue recognition

Interest and dividend income are recognised on the accruals basis.

Dividends

Dividends are recorded in the company's financial statements in the year in-which they are approved by the shareholder.

Related parties

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

Comparatives:

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with International Financial Reporting Standards requires the directors and management to exercise judgement in the process of applying the Company's accounting policies, which are described in note 1. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, on estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The company's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, credit risk, changes in foreign currency exchange and

interest rates. A description of the significant risk factors is given below together with the risk management policies applicable.

(i) **Foreign exchange risk**

As a result of significant investment operations in Hong Kong, the United Kingdom, Botswana and South Africa and transactions in Euro and United States Dollar ("USD"), the Company's balance sheet can be affected significantly by movements in the USD, Euro, British Pound Sterling ("GBP"), Hong Kong Dollar ("HKD"), Botswana Pula ("BWP") and South African Rand ("ZAR") to the Mauritian Rupee ("RS") exchange rates.

(ii) **Credit risk**

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions only with its related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) **Interest rate risk**

As the Company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

(iv) **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Company maintains flexibility in funding by maintaining availability of loan from its shareholder.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, return capital to its shareholder, issue new shares or sell assets to reduce debt. The Company monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the balance sheet) less bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

	2008 MRS	2007 MRS	2008 INR	2007 INR
Total borrowings	-	-	-	-
Trade and other payables (Note 11)	338,513	356,538	535,900	564,435
Bank Balance:	(30,706,418)	(54,785,896)	(48,611,330)	(86,731,552)
Net Debt	(30,367,905)	(54,429,358)	(48,075,430)	(86,167,117)
Equity	351,808,644	282,159,150	556,948,264	446,686,150
Total Capital	321,440,739	227,729,792	508,872,834	360,519,033

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

	2008 MRS	2007 MRS	2008 INR	2007 INR
Gearing ratio	N/A	N/A	N/A	N/A
Fair value estimation				

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

4 INVESTMENT REVENUE

	2008 MRS	2007 MRS	2008 INR	2007 INR
Interest revenue:				
Bank deposits	1,034,098	196,605	1,637,081	311,245

5 INCOME TAX EXPENSE

The Company is subject to taxation at the rate of 15% (31st March 2007 - 22.50%) on its chargeable income.

The charge to income statement for the period can be reconciled to the accounting profit as follows:

	2008 MRS	2007 MRS	2008 INR	2007 INR
Loss for the year	(4,823,992)	(294,376)	(7,636,862)	(466,027)
Income tax expense calculated at 15% / 22.50%	(723,599)	(66,235)	(1,145,529)	(104,857)
Effect of revenue that is exempt from taxation	(42,337)	(57,803)	(67,024)	(91,508)
Tax losses brought forward	(189,459)	(65,421)	(299,933)	(103,568)
Effect of changes in tax rates and laws	63,154	-	99,979	-
Tax losses carried forward	892,241	189,459	1,412,507	299,933
Income tax expense recognised in profit or loss	-	-	-	-

6 INVESTMENTS IN SUBSIDIARIES - COST

	2008 MRS	2007 MRS	2008 INR	2007 INR
At beginning of year	158,978,770	57,051,520	251,679,291	90,318,261
Additions	71,787,050	101,927,250	113,646,079	161,361,029
At end of year	230,765,820	158,978,770	365,325,370	251,679,290

The subsidiaries are as follows:

Name of Company	Class of shares	Nominal Value	% Holding		Country of Incorporation	Main Business	Cost	
			2008	2007			MRS	INR
Unquoted:								
Shrenuj U.K Limited	Ordinary	GBP 1	100%	100%	United Kingdom	Investment Company	225,801,126	357,465,763
Shrenuj (Jewellery Outsourcing) Limited	Ordinary	HKD 1	100%	100%	Hong Kong	Jewellery	3,936,413	6,231,735
Inter-gems H.K Ltd	Ordinary	HKD 1	51%	51%	Hong Kong	Trading in diamonds	1,027,231	1,626,209
Burnet Holdings (Proprietary) Limited	Ordinary	USD 1	100%	-	Botswana	Trading in diamonds	652	1,032
Shrenuj South Africa (Pty) Ltd	Ordinary	ZAR 1	100%	-	South Africa	Trading in diamonds	398	630
							<u>230,765,820</u>	<u>365,325,369</u>

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

There were neither disposals nor provisions for impairment on investments in subsidiaries during the year under review.

7 TRADE AND OTHER RECEIVABLES

	2008 MRS	2007 MRS	2008 INR	2007 INR
Loans to subsidiaries (Note 13)	1,608,256	13,123,584	2,546,030	20,775,946
Advances to subsidiaries (Note 13)	17,124,750	-	27,110,192	-
Other loans (Note 13)	71,685,000	55,505,000	113,484,524	87,869,966
Interest receivables	174,343	122,438	276,002	193,832
Prepayments	82,570	-	130,717	-
	<u>90,674,919</u>	<u>68,751,022</u>	<u>143,547,465</u>	<u>108,839,744</u>

The loans to subsidiaries and other loans are unsecured, interest free and repayable on demand.

8 CASH AND SHORT-TERM DEPOSIT

	2008 MRS	2007 MRS	2008 INR	2007 INR
Cash at bank	9,466,418	35,195,896	14,986,286	55,718,623
Short-term deposit	21,240,000	19,590,000	33,625,044	31,012,929
	<u>30,706,418</u>	<u>54,785,896</u>	<u>48,611,330</u>	<u>86,731,552</u>

9 STATED CAPITAL

	Number of shares 2008	Share capital 2008 MRS	Number of shares 2007	Share capital 2007 MRS	Number of shares 2008	Share capital 2008 INR	Number of shares 2007	Share capital 2007 INR
At 01 April	2,817,571.35	281,757,135	598,330	59,833,000	2,817,571.35	446,049,720	598,330	94,721,622
Issued during the year	952,943.00	95,294,300	2,219,241	221,924,135	952,943.00	150,860,406	2,219,241	351,328,098
At 31 March	3,770,514.35	377,051,435	2,817,571	281,757,135	3,770,514.35	596,910,126	2,817,571	446,049,720

The issued shares comprise of ordinary shares of RS 100 and are fully paid.

10 OTHER RESERVES

	2008 MRS	2007 MRS	2008 INR	2007 INR
Unrealised gain / (loss) on exchange				
At beginning of year	830,499	(2,281,000)	1,314,763	(3,611,051)
Movement during the year	-	3,111,499	-	4,925,814
At end of year	<u>830,499</u>	<u>830,499</u>	<u>1,314,763</u>	<u>1,314,763</u>
Unrealised gain / (loss) on revaluation				
At beginning of year	155,936	14,712	246,862	23,291
Movement during the year	(20,820,814)	141,224	(32,961,431)	223,572
At end of year	<u>(20,664,878)</u>	<u>155,936</u>	<u>(32,714,569)</u>	<u>246,863</u>
Total	<u>(19,834,379)</u>	<u>986,435</u>	<u>(31,399,806)</u>	<u>1,561,626</u>

(Exchange rate used for translation 1 Mauritius MRS = INR 1.5831)

11. TRADE AND OTHER PAYABLES

	2008 MRS	2007 MRS	2008 INR	2007 INR
Accrued expenses	338,513	356,538	535,900	564,435

12. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of investments, receivables, bank balances and payables approximate their fair values. Financial assets and liabilities, which are accounted for at historical cost, are carried at values which may differ materially from their fair values.

Shrenuj (Mauritius) Pvt Ltd.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
	MRS	MRS	MRS	MRS	INR	INR	INR	INR
Denominated in:								
Hong Kong Dollar ("HKD")	4,963,644	16,391,144	-	-	7,857,945	25,948,820	-	-
British Pound Sterling ("GBP")	243,339,382	155,711,210	-	-	385,230,576	246,506,417	-	-
United States Dollar ("USD")	102,565,700	110,413,270	338,513	356,538	162,371,760	174,795,248	535,900	564,435
Euro ("EUR")	61	64	-	-	97	101	-	-
Botswana Pula ("BWP")	1,195,402	-	-	-	1,892,441	-	-	-
South African Rand ("ZAR")	398	-	-	-	630	-	-	-
	352,064,587	282,515,688	338,513	356,538	557,353,449	447,250,586	535,900	564,435

13. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms and conditions and at market prices:

	2008	2007	2008	2007
	MRS	MRS	INR	INR
(i) Loans to subsidiaries				
Shrenuj U.K Limited:				
At beginning of year	1,696,084	1,481,458	2,685,071	2,345,296
Loans granted during the year	-	-	-	-
Unrealised (loss) / gain on revaluation	(87,828)	214,626	(139,041)	339,774
At end of year	1,608,256	1,696,084	2,546,030	2,685,070
Inter-gems HK Ltd:				
At beginning of year	11,427,500	-	18,090,875	-
Loans granted during the year	-	10,936,765	-	17,313,993
Loan repaid during the year	(9,402,190)	-	(14,884,607)	-
Unrealised gain on revaluation	-	490,735	-	776,883
Realised loss on exchange	(2,025,310)	-	(3,206,268)	-
At end of year	-	11,427,500	-	18,090,876
Total loans to subsidiaries (Note 7)	1,608,256	13,123,584	2,546,030	20,775,946

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

(ii) Advances to subsidiary

	2008	2007	2008	2007
	RS	RS	INR	INR
Burnet Holdings (Proprietary) Limited:				
At beginning of year	-	-	-	-
Loan granted during the year	1,396,109	-	2,210,180	-
Unrealised loss on revaluation	(201,359)	-	(318,771)	-
At end of year	1,194,750	-	1,891,409	-

	2008	2007	2008	2007
	MRS	MRS	INR	INR

Shrenuj U.K Limited:				
At beginning of year	-	-	-	-
Advance towards acquisition of share capital	18,258,000	-	28,904,240	-
Unrealised loss on revaluation	(2,328,000)	-	(3,685,457)	-
At end of year	15,930,000	-	25,218,783	-
Total advances to subsidiaries (Note 7)	17,124,750	-	27,110,192	-

(iii) Other loans				
Astral Jewels LLC:				
At beginning of year	-	-	-	-
Loans granted during the year	-	6,629,250	-	10,494,766
Repaid during the year	-	(6,629,250)	-	(10,494,766)
At end of year	-	-	-	-

Daily Jeweller/ Limited:				
At beginning of year	55,505,000	-	87,869,966	-
Loans granted during the year	32,620,300	55,562,290	51,641,197	87,960,661
Unrealised loss on revaluation	(16,440,300)	(57,290)	(26,026,639)	(90,696)
At end of year	71,685,000	55,505,000	113,484,524	87,869,965
Total other loans (Note 7)	71,685,000	55,505,000	113,484,524	87,869,965

(Exchange rate used for translation 1 Mauritius RS = INR 1.5831)

The loans to Subsidiaries and other loans were provided unsecured, interest free and are repayable on demand.

14. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements will be prepared by the holding company, Shrenuj & Company Limited, whose registered office is Diamond Division, 405 Dharam Palace, 100-103 N.S. Patkar Marg, Mumbai 400 007, India.

15. HOLDING COMPANY

The Company is controlled by Shrenuj & Company Limited, a company registered in India, which owns 100% of the Company's shares.

16. INCORPORATION

The Company is registered as a private company in the Republic of Mauritius under the Companies Act 2001.

17. REGISTERED OFFICE

The registered office of the Company is Suite 308, St James Court, St Denis Street, Port Louis, Republic of Mauritius.

18. CURRENCY

The financial statements are presented in Mauritian Rupee.

Shrenuj N.V.

BALANCE SHEET AS AT 31ST MARCH 2008

LIABILITIES	SCHEDULE	EURO	INR
SHARE CAPITAL	A	2440940	154652588
RESERVES & SURPLUS	B	136880	8672416
SECURED LOANS	C	934688	59219775
UNSECURED LOANS	D	6710843	425184249
TOTAL		10223351	647729028
ASSETS			
FIXED ASSETS	E		
Gross Block		82243	5210736
Less: Depreciation		14689	930663
Net Block		67554	4280073
INVESTMENTS	F		
CURRENT ASSETS, LOANS & ADVANCES	G		
Inventories		4259669	269883257
Sundry Debtors		16300099	1032738412
Cash & Bank Balances		15871	1005552
		20575639	1303627221
		(98277)	(6226615)
Loans & Advances		20477362	1297400606
CURRENT LIABILITIES & PROVISIONS	H		
Current Liabilities		(10299375)	(652545741)
Provisions		(22190)	(1405910)
		(10321565)	(653951651)
		(10155797)	(643448955)
NET CURRENT ASSETS			
TOTAL		10223351	647729028

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH, 2008

	EURO	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up		
Fully paid up	62000	3928184
New capital 2006-07	1602700	101543546
New capital 2007-08	776240	49180859
TOTAL	2440940	154652588
SCHEDULE 'B' - Reserve and Surplus		
Capital Reserve	97	6146
General Reserve	8825	559133
Surplus in P&L A/c.	127958	8107137
TOTAL	136880	8672416
SCHEDULE 'C' - Secured Loans		
From Banks	934688	59219775
TOTAL	934688	59219775
SCHEDULE 'D' - Unsecured Loans		
Short term Loans & Advance from:		
Inter-Corporate Deposit	6008095	380659681
Others	702748	44524567
TOTAL	6710843	425184249
SCHEDULE 'E' - Fixed Assets		
Cost	82243	5210766
Less: Depreciation	14689	930663
TOTAL	67554	4280103
SCHEDULE 'F' - Investments	-	-
SCHEDULE 'G' - Current Assets, Loans & Advances		
A. Current Assets Inventories		
Finished Goods	4259669	269883257
TOTAL	4259669	269883257
Sundry Debtors		
Outstanding over six months		
Others	16300099	1032738412
TOTAL	16300099	1032738412
Cash and Bank Balances		
Cash on hand	12336	781582
Balances with Scheduled Banks		
Current Accounts	3535	223970
TOTAL	15871	1005552
B. Loans & Advances		
Due from Subsidiary Company	(158108)	(10017375)
Advances recoverable in cash or in kind or for value to be received	59831	3790761
	(98277)	(6226615)
TOTAL (A) + (B)	20477362	1297400606
SCHEDULE 'H' - Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
Sundry Creditors/Related parties	10299375	652545741
TOTAL	10299375	652545741
B. PROVISIONS		
Provision for taxation	22190	1405910
TOTAL	22190	1405910
TOTAL (A) + (B)	10321565	653951651

PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

INCOME	SCHEDULE	EURO	INR
Sales and Services	K	41186040	2609456885
Other Income	L	-	-
TOTAL		41186040	2609456885
EXPENDITURE			
Material Cost	M	40088708	2539932344
Manufacturing & Other Expenses	N	595205	37710879
Interest	O	358418	22708576
Depreciation		12412	786397
TOTAL		41054743	2601138196
PROFIT BEFORE TAXATION		131297	8318689
Less: Provision for Taxation - Current		22190	1405910
PROFIT AFTER TAXATION		109107	6912779
Add: Balance Brought Forward		22268	1410851
Excess provision for taxation in respect of previous years written back		3583	227011
TOTAL		134958	8550642
APPROPRIATION			
Transfer to General Reserve		7000	443505
Balance carried to Balance Sheet		127958	8107137

(Exchange rate used for translation 1 EURO = INR 63.3578)

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

	EURO	INR
SCHEDULE 'K' - Sales		
Sales (including Inter Div.Rs.)	41186040	2609456885
Total	41186040	2609456885
SCHEDULE 'L' - Other Income	-	-
SCHEDULE 'M' - Materials Cost		
Purchase of Finished Goods	42375960	2684847598
Total	42375960	2684847598
Variation in Stock		
Stock at close	4259669	269883257
Less: Stock at commencement	(1972417)	(124968002)
Total	2287252	144915255
Materials Cost	40088708	2539932344
SCHEDULE 'N' - Manufacturing & Other Expenses		
Rent	30196	1913152
Other Manufacturing Expenses	21083	1335772
Total	51279	3248925
Employees's Emoluments:		
Salaries, Wages, Gratuity, Bonus etc.	72806	4612828
Contribution to PF etc.	11792	747115
Welfare expenses	4274	270791
Total	88872	5630734
Selling & Distribution Expenses		
Marketing / Advisory Expenses	20191	1279257
Freight & forwarding charges	68972	4369914
Sales Promotion Expenses	34007	2154609
Export Commission	5829	369313
Total	128999	8173093
Other Expenses:		
Insurance	225174	14266529
Other Repairs	1248	79071
Legal & Professional Charges	15326	971022
Travelling, Conveyance and Vehicle expenses	14836	939976
Miscellaneous Expenses	69471	4401530
Total	326055	20658127
Manufacturing & Other Expenses	595205	37710879
SCHEDULE 'O' - Interest		
On Term Loan	250930	15898373
To Banks	106314	6735821
To Others	1174	74382
Total	358418	22708576
Depreciation	12412	786397
Provision for Income Tax	22190	1405910
TOTAL	41076933	2602544106
Net profit after tax	109107	6912779
Tax in respect of previous year	3583	227011
Surplus in Profit & Loss A/c. B/f.	22268	1410851
Transfer of Profit from Divisions		
TOTAL	134958	8550642
Transfer to General Reserve	7000	443505
Balance Available for appropriation	127958	8107137

(Exchange rate used for translation 1 EURO = INR 63.3578)

DIRECTORS' REPORT

To the Members,

SHRENUJ OVERSEAS LIMITED

Your Directors have pleasure in presenting the TWENTY FIFTH ANNUAL REPORT and the audited accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

	Year ended	
	31/03/2008 (Rs.)	31/03/2007 (Rs.)
Profit/ (Loss) before Taxation	7,28,997	(6,50,264)
Less : Provision for Taxation	1,06,000	-
Profit/(Loss) after taxation	6,22,997	(6,50,264)
Add: Balance brought forward	(7,14,880)	(64,616)
Balance carried to Balance Sheet	(91,883)	(7,14,880)

OPERATIONS:

The Company has earned a profit of Rs.7,28,997/- for the financial year ended 31st March, 2008. The income includes fees received from processing activities carried out for the year.

DIVIDEND:

To conserve the resources of the Company for its future expansion, your Directors have not recommended any dividend for the financial year 2007-08.

STATUTORY INFORMATION:

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is not given in this Report as the Company had no manufacturing activity and carry out the job work for its clients.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 1999 and forming part of the Directors' Report is not given in this Report, as the Company had no employees covered under the aforesaid Section.

FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have adopted 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 for the year ended 31st March, 2008 and of the profit of the Company for that year;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis .

DIRECTOR:

Shri Vishal S. Doshi retires by rotation at the ensuing Annual General Meeting and he is eligible for re-appointment.

AUDITORS AND AUDITORS REPORT:

M/s Prakash S. Doshi & Co., Chartered Accountants, the auditors of your Company retires at the ensuing Annual General Meeting and are eligible for re-appointment.

You are requested to re-appoint M/s Prakash S. Doshi & Co., Chartered Accountants, as the auditors of the Company for financial year 2008-09 and authorize the Board to fix their remuneration.

APPRECIATION:

The Directors wish to place on record its warm appreciation to all the employees for their contribution to the growth of the Company.

The Directors also wish to thank the Company's Bankers and its customers for their support.

By Order of the Board
Sd/-
KIRTILAL KALIDAS DOSHI
Chairman

Mumbai, 17th June, 2008.

Registered Office: B-4, Sona Udyog Industrial Estate,
Parsi Panchayat Road,
Andheri – East,
Mumbai – 400 069.

REPORT OF THE AUDITORS TO THE MEMBERS**REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the attached Balance Sheet of **SHRENUJ OVERSEAS LIMITED** as at 31st March, 2008 and also the Profit and Loss Account and Cash Flow for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditors Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred to in Paragraph 2 above, we report that :-
 - 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;
 - In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the company;
 - In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement subject to note 5(2)(a) regarding non provision of accrued gratuity liability, comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
 - On the basis of the written representations received from the directors, and taken on records by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - In our opinion and to the best of our information and according to the explanations given to us, the said accounts, **subject to note 5(2)(a) regarding non provision and non quantification of accrued gratuity liability, amount indeterminate**, and read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :
 - in the case of the Balance Sheet of the state of the company's affairs as at 31st March, 2008; and
 - in the case of the Profit and Loss Account of the Profit of the company for the year ended on that date.
 - in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

PROPRIETOR
P. S. DOSHI
MEMBERSHIP NO. 11532

MUMBAI : 17th June, 2008



ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the accounts of **SHRENUJ OVERSEAS LIMITED** for the year ended 31st March, 2008)

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

1. (a) The Company has no fixed assets.
2. (a) The Company has no inventory. Hence the clauses 4(ii)(a), 4(ii)(b) and 4(ii)(c) are not applicable.
3. (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (ii)(b) to (iii)(d) of the Para 4 of the order are not applicable to the company.
(b) The company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (iii)(f) and iii(g) of the Para 4 of the order are not applicable to the company.
4. The company has neither purchased inventory or fixed assets nor sold goods or services during the year, hence clause 4(iv) is not applicable.
5. (a) On the basis of an examination of the books of accounts, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs.5 lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted deposits from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. The clause (vii) of Para 4 of the order regarding internal audit is not applicable to the company.
8. As represented to us by the management, the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us, in respect of statutory and other dues the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax,

service tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities during the year.

- (b) There are no statutory dues pending to be deposited on account of disputes ending at various forums.
10. The company has accumulated losses at the year end which are less than fifty percent of its net worth and has not incurred cash losses during the financial year covered by our audit. In immediately preceding financial year the company had incurred cash losses.
11. The Company has not taken any loan from financial institutions, banks or debenture holders.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of Para 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us the company has not given guarantees for loans taken by others from banks or financial institutions.
16. The company has not availed any term loans during the year.
17. On the basis of review of utilization of funds on overall basis, related information as made available to us, and as represented to us by the management, funds raised on short term basis have not been used for long term investment.
18. The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any debentures during the year.
20. The company has not raised any monies by public issue during the year.
21. During the course of an examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company nor have we been informed of such case by the management.

For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

PROPRIETOR
P.S. DOSHI
MEMBERSHIP NO. 11532

MUMBAI : 17th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008.

SCHEDULE	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
SOURCES OF FUNDS		
Shareholders' Fund		
Share Capital A	500,000	500,000
Reserves and Surplus B	19,000	19,000
	<u>519,000</u>	<u>519,000</u>
APPLICATION OF FUNDS		
Current Assets, Loans and Advances : C		
Sundry Debtors	2,817,935	-
Cash & Bank Balances	918,072	155,129
	<u>3,736,007</u>	<u>155,129</u>
Loans & Advances	1,145,949	-
	<u>4,881,956</u>	<u>155,129</u>
Less: Current Liabilities and Provisions : D		
Current Liabilities	4,026,396	351,009
Provisions	428,443	-
	<u>4,454,839</u>	<u>351,009</u>
Net Current Assets	427,117	(195,880)
Profit & Loss Account	91,883	714,880
	<u>519,000</u>	<u>519,000</u>
Notes forming part of the accounts G		

As per our report of even date
For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi
Chairman

P.S. Doshi
Proprietor
Mumbai : 17th June, 2008

Nihar N. Parikh
Vishal S. Doshi
Directors
Mumbai : 17th June, 2008

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

SCHEDULE	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
INCOME		
Processing Fees	29,305,868	-
	<u>29,305,868</u>	<u>-</u>
EXPENDITURE		
Payment to Employees E	28,294,968	341,568
Other Expenses F	281,903	308,696
	<u>28,576,871</u>	<u>650,264</u>
Profit Before Taxation	728,997	(650,264)
Less: Provision for Income Tax	80,000	-
Less: Provision for Fringe Benefit Tax	26,000	-
Profit after Taxation	622,997	(650,264)
Add: Balance Brought forward	(714,880)	(64,616)
Balance carried to Balance Sheet	<u>(91,883)</u>	<u>(714,880)</u>
Earning per share Rs.	124.60	(130.05)
Face Value of shares Rs.100/- each		
(Refer note 2 (6) of Schedule - G)		
Notes forming part of the accounts G		

As per our report of even date
For **PRAKASH S. DOSHI & COMPANY**
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi
Chairman

P.S. Doshi
Proprietor
Mumbai : 17th June, 2008

Nihar N. Parikh
Vishal S. Doshi
Directors
Mumbai : 17th June, 2008

CASH FLOW STATEMENT

Particulars	2007-2008 (Rs.)	2006-2007 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and after extraordinary items	728,997	(650,264)
Adjustments for :		
Provision for Leave Encashment	322,443	-
Operating Profit before working capital changes	1,051,440	(650,264)
Adjustments for:		
Trade and Other receivables	(2,855,412)	-
Inventories	-	-
Trade Payables	3,675,387	343,259
Cash generated from operations	1,871,415	(307,005)
Direct Taxes paid	(1,108,472)	-
Net Cash used in Operating Activities	762,943	(307,005)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-	-
Purchase of Investments	-	-
Sale of Fixed Assets	-	-
Sale of Investments	-	-
Net Cash used in investing activities	-	-
C. CASH FLOW FROM FINANCE ACTIVITIES:		
Proceeds from Issue of Shares	-	-
Proceeds from Long Term Borrowings	-	-
Repayment of Long Term Borrowings	-	-
Increase in Secured Borrowings from Banks	-	-
Net Cash from financing activities	-	-
Net Increase In Cash and Cash equivalents (A+B+C)	762,943	(307,005)
Opening Balance of Cash and Cash equivalent	155,129	462,134
Closing Balance of Cash and Cash equivalent	918,072	155,129

Notes to Cash Flow Statement for the year ended 31st March, 2008.

Particulars	2007-2008 (Rs.)	2006-2007 (Rs.)
Cash and Cash Equivalents Include:		
Cash and Bank Balance	918072	155129
Unrealised Gain/(Loss) on foreign currency Cash and Cash equivalents	-	-
Total Cash and Cash Equivalent	918072	155129
As per our report of even date		

For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS

Kirtilal K. Doshi
Chairman

P.S. Doshi
Proprietor
Mumbai : 17th June, 2008

Nihar N. Parikh
Vishal S. Doshi
Directors
Mumbai : 17th June, 2008

SCHEDULE 'A' TO 'D' ANNEXED TO AND FORMING PART OF BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2008.

	31st March,2008 (Rs.)	31st March,2007 (Rs.)
SCHEDULE 'A' - Share Capital		
Authorised		
3,00,00,000 Equity Shares of Rs.100/- each	30,000,000	30,000,000
Issued,Subscribed :		
5,000 Equity Shares of Rs.100/- each	500,000	500,000
[The above shares are held by Shrenuj & Company Limited, the Holding Company]		
SCHEDULE 'B' - Reserves and Surplus		
General Reserve	19,000	19,000
	19,000	19,000
SCHEDULE 'C' - Current Assets, Loans and Advances		
A. Current Assets		
Sundry Debtors		
(Unsecured, Considered good)		
Exceeding six months	-	-
Others - (Due from Shrenuj & Co. Ltd. Company under same management.)	2,817,935	-
Cash and Bank Balances		
Cash on hand	28,272	4,628
Balance with Scheduled Banks		
In Current Accounts	889,800	150,501
	918,072	155,129
	3,736,007	155,129
B. Loans & Advances		
(Unsecured,Considered good)		
Prepaid Expenses	31,500	-
Advance to Employees	5,977	-
Advance Taxes	1,108,472	-
	1,145,949	-
	4,881,956	155,129

SCHEDULE 'D' - Current Liabilities and Provisions

	31st March,2008 (Rs.)	31st March,2007 (Rs.)
A. Current Liabilities		
TDS	8,133	-
Outstanding Liability	2,395,600	67,196
Other Liabilities	1,622,663	283,813
	4,026,396	351,009
B. Provisions		
Provision for Taxation	80,000	-
Provision for Fringe Benefit Taxation	26,000	-
Provision for Leave Encashment	322,443	-
	428,443	-

SCHEDULE 'E' TO 'F' ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008.

	31st March,2008 (Rs.)	31st March,2007 (Rs.)
SCHEDULE 'E' - Payment to Employees'		
Salaries,Wages, Bonus etc.	25,875,102	307,359
Contribution to Provident and Other Funds	2,042,145	34,209
Staff Welfare Expenses	377,721	-
	28,294,968	341,568
SCHEDULE 'F' - Other Expenses		
Filing Fees	1,362	1,518
Bank Charges	28,328	525
Telephone Exp.	12,000	-
Professional Fees	202,200	2,809
Miscellaneous Expenses	15,513	299,350
Remuneration to Auditors:		
Audit Fees	15,000	4,494
Tax Matter	7,500	-
	22,500	4,494
	281,903	308,696

SCHEDULE – G

NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES :

A. Basis of Preparation of financial statements:

- i. The Company follows accrual system of accounting.
- ii. The Financial Statements have been prepared under the historical cost convention in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the company.
- iii. Accounting policies not specifically referred to otherwise are consistent with and in accordance with generally accepted accounting principles.

B. Use of Estimates:

The Preparation of Financial Statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during reporting period. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

C. Provisions for Contingencies:

A provision is recognised when:

The Company has a present obligation as a result of a past event:

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation; that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

D. Employee Benefits:

i) Short Term Benefits:

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

ii) Long Term Benefits:

a) Provident Fund:

Eligible employees of the company receive benefit in the form of provident fund which is a defined contribution plan, wherein both the employee and the company makes monthly contribution equal to specified percentage of the eligible employees' salary. This contribution are made to the fund administered and managed by the Government of India. The employer's contribution to the fund is recognised as an expense in the profit and loss account of the year.

b) Gratuity:

Post employment employee benefits like gratuity is not recognised as an expense. According to the management the company is not covered by Payment of Gratuity Act, 1972 as the required period of the eligibility of gratuity is not completed for any of its employees.

c) Leave Salary:

Provision for leave is recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of past employment and other long term benefits are charged to the profit and loss account.

E. Taxation:

- i) Provision for taxation is made after considering various reliefs admissible under the provision of Income Tax Act.
- ii) Provision for fringe benefit tax is made at current applicable rates on expenses falling within the ambit of fringe benefit as defined under the Income Tax Act.
- iii) The company had past carried forward losses for which no Deferred tax

Assert was created considering uncertainty of recoupment. However during the year the company made profit and past losses for which no Deferred tax Assert was created got set off. In view of this during the year no Deferred tax provision is made as there is no other timing differences.

2. NOTES TO ACCOUNTS:

1. In the opinion of the Board, current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business. Provisions for all the known liabilities are adequate and not in excess of the amount reasonably necessary.

2. As the Company is not engaged in Manufacturing, Trading or Processing activity during the year, the requirement of Quantitative information pursuant to Para 3 and other information under Para 4 of the Part II of Schedule VI of the Companies Act, 1956 is not applicable.

3. Segment Reporting:

Accounting Standard AS 17 Segment Reporting is not applicable to the company as the Company has only one business segment viz Supply of manpower services to Gem & Jewellery Industry.

4. Small Scale Industries:

- a) There are no Small Scale Undertakings, to whom the company owes a sum which is outstanding for more than 30 days at the Balance Sheet date. This information has been determined on the basis of information available with the Company. This has been relied upon by the auditors.
- b) Suppliers/Service providers covered under Micro, Small Medium Enterprises Development Act 2006, have not furnished the information regarding filing of necessary memorandum with the appropriate authority. In view of this, information requires to be disclosed u/s 22 of the said Act is not given.

5. Disclosure Pursuant to Accounting Standard 15 – Employees Benefit :

Effective 1st April, 2007 the Company has adopted Accounting Standard – 15 for Employees Benefits.

(1) Defined Contribution Plan:

Contribution to Provident Fund of Rs.1182708/- is recognised as an expense for the year.

(2) Defined Benefit Plan:

a) Gratuity:

Post employment employee benefits like gratuity is not recognised as an expense. According to the management the company is not covered by Payment of Gratuity Act, 1972 as the required period of the eligibility of gratuity is not completed for any of its employees.

b) Leave Salary:

The Company has recognised provision for Leave Salary as expense amounting to Rs.322443/- based on actuarial valuation.

The actuarial assumptions in arriving at provision for Leave Salary for the year are as follows:

Discount Rate	:	8%
Salary Growth	:	5%
Attrition Rate	:	3%
Retirement Age	:	60 Years

6. Earning per share (EPS) is computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India as under :

Earning per Share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

Particular		31-03-2008	31-03-2007
Profit after taxation	Rs.	622997	-650264
Weighted average number of shares	Nos.	5000	5000
Earning per share (basic & diluted)	Rs.	124.60	-130.05
Face value per share	Rs.	100	100

7. Related Party transactions:

As per the Directors

a. Parties where control exists:

Shrenuj & Co. Ltd.	Holding Company
Shrenuj Diawjewels Ltd.	Fellow Subsidiary
Daily Jewellery Limited	Fellow Subsidiary
Shrenuj Gems & Jewellery Pvt Ltd.	Fellow Subsidiary
Shrenuj Glitters Ltd.	Fellow Subsidiary
Shrenuj DMCC Dubai (UAE)	Fellow Subsidiary
Astral USA, INC	Fellow Subsidiary
Shrenuj (Mauritius) Pvt. Ltd.	Fellow Subsidiary
Astral Holdings Inc.	Fellow Subsidiary
Shrenuj Japan Corporation	Fellow Subsidiary
Shrenuj U.K. Ltd.	Fellow Subsidiary
Shrenuj Jewelery (Far East) Ltd.	Fellow Subsidiary
Shrenuj N. V. (Antwerp)	Fellow Subsidiary
Intergems Hongkong	Fellow Subsidiary
Shrenuj GMBH	Fellow Subsidiary
C & A Diamonds International, LLC	Fellow Subsidiary
Shrenuj USA, LLC	Fellow Subsidiary
Astral Jewels LLC	Fellow Subsidiary
Bernies International, LLC.	Fellow Subsidiary
Shrenuj Bostwana (Proprietary) Ltd.	Fellow Subsidiary
Shrenuj Australia Pty Ltd.	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd. China	Fellow Subsidiary
Simon Golub & Sons, Inc.	Fellow Subsidiary
Lume Group AG	Fellow Subsidiary
Shrenuj South Africa (Pty) Ltd.	Fellow Subsidiary
Copem & Shrenuj Italy	Fellow Subsidiary

b. Associates:

Shrenuj Investment & Finance Pvt. Ltd.
SHL Gems & Jewellery Ltd.
Prest Impex Private Ltd.
Kiara Jewellery Private Ltd.
K.K. Doshi & Co.
Tiara Jewellery
Jomard SAS
SWA Trading Ltd.
Trapz, LLC
Arisia Jewellery Private Ltd.

c. Key Management Personnel and their relatives:

Shri. Kirtilal K. Doshi	Chairman
Shri. Nihar N. Parikh	Director
Shri. Shreyas K. Doshi	Relative
Shri. Vishal S. Doshi	Relative

The Following transactions were carried out with the related parties in the ordinary course of business:

I. Details relating to parties referred to in items (a) and (b) above :

S. No.	Particulars	Holding Company (Rs.)	Fellow Subsidiary (Rs.)	Associates (Rs.)
i.	Purchase of Materials/ Finished Goods	-	-	-
		(-)	(-)	(-)
ii.	Sale of Materials / Finished Goods	-	-	-
		(-)	(-)	(-)
iii.	Other Services Received	-	-	-
		(-)	(-)	(-)
iv.	Other Services Provided	29305868	-	-
		(-)	(-)	(-)
v.	Goods Lying on Consignment	-	-	-
		(-)	(-)	(-)
vi.	Interest Paid on ICD	-	-	-
		(-)	(-)	(-)
v.	Outstanding Receivable	2817935	-	-
		(-)	(-)	(-)
vi.	Outstanding Payable	-	2000	-
		(-)	(-)	(-)

8. Previous year's figures are regrouped / rearranged, wherever necessary.

9. Balance Sheet abstract and Company's General Business Profile:

1 Registration Details

Registration No.	30671
State Code	11
Balance Sheet Date	31/03/2008

2 Capital raised during the year

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

3 Position of Mobilisation and deployment of Funds

Total Liabilities	519000
Total Assets	519000

4 Sources of Funds:

Paid up Capital	500000
Reserves & Surplus	19000
Secured Loans	NIL
Unsecured Loans	NIL
Deferred Tax Liability	NIL

5 Application of Funds:

Net Fixed Assets	NIL
Investments	NIL
Net Current Assets	427117
Misc. Expenditure	NIL

6 Performance of Company

Turnover	29305868
Total Expenditure	28576871
Profit Before Tax	728997
Profit After Tax	622997
Earning Per Share (Rs.)	124.60
Dividend Rate (%)	NIL

7 General Names of Three Principal Products/services Of the Company (As per monetary terms)

Item Code No. (ITC Code)	N. A.
Product Description	N. A.

As per our Report of even date

**For PRAKASH S. DOSHI & COMPANY
CHARTERED ACCOUNTANTS**

Kirtilal K. Doshi
Chairman

P.S. Doshi
Proprietor

Nihar N. Parikh
Vishal S. Doshi
Directors

Mumbai : 17th June, 2008

Mumbai : 17th June, 2008

Report of the Auditors

Shanghai Victor Voyage (2008) Audit No.

To the shareholders of Shrenuj (Shanghai) Diamond Co., Ltd.:

We have audited the accompanying financial statements comprising Balance Sheet of Shrenuj (Shanghai) Diamond Co., Ltd. ("the Company") as of 31 December 2007, Income Statement, Statement of Profit Appropriation, Cash Flow Statement as well as Notes to the Financial Statements for the year then ended.

1. Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the *Accounting Standards for Business Enterprises* and *China Accounting System for Business Enterprises*. This responsibility includes: (1) 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; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. 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 *Standards on Auditing for Certified Public Accountants*. 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 risks 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 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 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.

3. Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the *Accounting Standards for Business Enterprises* and *China Accounting System for Business Enterprises*.

Shanghai Victor Voyage Certified
Public Accountants Co., Ltd.

China Certified Public Accountant:
(signature & stamp)

China Certified Public Accountant:
(signature & stamp)

Shanghai · China 16th April 2008

Final Accounting Statements for Foreign-invested Enterprises in Shanghai in 2007
Balance Sheet Non-financial Enterprise

Drafted by Shrenuj (Shanghai) Diamonds Co., Ltd

December 31, 2007

K.W.N.Q.01 Table
Unit: RMB Yuan

Assets	Line	AT BEG.OF YEAR	AT END OF PERIOD (RMB)	AT END OF PERIOD (INR)	Liabilities and owner's equity	Line	AT BEG.OF YEAR	AT END OF PERIOD (RMB)	AT END OF PERIOD (INR)
Current Assets:	1				Current liabilities	53			
Monetary fund	2		469,369.51	2,657,711.00	Short-term loans	54			
Short-term investments	3				Notes payable	55			
Notes receivable	4				Accounts payable	56		2,306,711.89	13,061,295.00
Dividends receivable	5				Advances from customers	57			
Interest receivable	6				Accrued payroll	58			
Accounts receivable	7		2,887,173.08	16,348,040.00	Welfare fund payable	59			
Other receivables	8		47,255.94	267,577.00	Including: Staff and workers' bonus and welfare fund	60			
Advance payments	9				Dividends payable	61			
Futures margin	10				Interest Payable	62			
Subsidies receivable	11				Taxes payable	63		(140,229.05)	(794,019.00)
Export tax reimbursement receivable	12				Other accounts to be paid	64			
Inventories	13		403,890.77	2,286,951.00	Other payables	65		256,903.79	1,454,666.00
Including: Original material	14				Accrued expenses	66			
Commodities in stock	15				Estimable liabilities	67			
Prepaid expense	16				Deferred income	68			
Long-term bonds investments due within one year	17				Long-term liabilities due within one year	69			
Other current assets	18				Other current liabilities	70			
	19				Total current liabilities	71		2,423,386.63	13,721,942.00
Total Current Assets	20		3,807,689.30	21,560,279.00	Long-term liabilities	72			
Long-term investment	21				Long-term loans	73			
Long-term equity investment	22				Bonds payable	74			
Long-term debt investment	23				Long-term payables	75			
*Cost-book value differentials	24				Special payables	76			
	25				Other Long-term liabilities	77			
	26				Including: Unamortized exchange gain	78			
Total long-term investments	27				Total Long-term liabilities	79			
Fixed assets:	28				Deferred taxes	80			
Original value of fixed assets	29		45,171.00	255,772.00	Lender of deferred taxes	81			
Less: Accumulated depreciation	30		4,233.63	23,972.00	Total liabilities	82		2,423,386.63	13,721,942.00
Net value of fixed assets	31		40,937.37	231,800.00	* Minor shareholders' equities	83			
Less: Fixed asset depreciation preparation	32				Owner's equity or shareholders' equities	84			
Net amount of fixed assets	33		40,937.37	231,800.00	Paid-up capital (or stock capital)	85		1,533,611.68	8,683,769.00
Engineering materials	34				Including: Chinese-party investment (balance at period end of non-RMB capital)	86			
Construction in progress	35				Foreign-party investment (balance at period end of non-RMB capital)	87		1,533,611.68	8,683,769.00
Disposal of fixed assets	36				Less: Returned investment	88			
	37				Net value Paid-up capital (or stock capital)	89			
	38				Capital surplus	90			
Total Fixed Assets	39		40,937.37	231,800.00	Surplus reserve	91			
Intangible assets and Other Assets	40				Including: Legal surplus reserve	92			
Intangible assets	41				Legal public reserve fund	93			
long-term prepaid expense	42				Random surplus reserve	94			
Other long-term assets	43				Reserve fund	95			
Including: Unamortized exchange losses	44				Enterprise expansion fund	96			
	45				Profits capitalized on return of investments	97			
	46				*Unconfirmed investment losses/loss expressed with '-'	98			
Total Intangible assets and Other Assets	47				Undistributed profits	99		(108,371.64)	(613,633.00)
Deferred taxes	48				Conversion difference of foreign-current statements	100			
Debits of deferred taxes	49				Total owner's equity or shareholders' equities	101			
	50				Less: Loss on assets	102			
	51				Total owner's equity or shareholders' equities/Net value after the asset loss is deducted	103		1,425,240.04	8,070,137.00
Total Assets	52		3,848,626.67	21,792,079.00	Total liabilities and owner's equity or shareholders' equities	104		3,848,626.67	21,792,079.00

Note: Items with "*" are for statement combination only

Exchange rate used for translation 1 RMB = INR 5.6623

Seal for Accounting Statements, Shanghai Financial Bureau



**Final Accounting Statements for Foreign-invested Enterprises in Shanghai in 2007
Profit & Profit Distribution Statement Non-financial enterprise**

Drafted by: Shrenuj (Shanghai) Diamonds Co., Ltd		Year 2007			K.W.N.Q.02 Table Unit: RMB Yuan				
Items	Line	Actual Number in Last Year	Actual Number in Current Year (RMB)	Actual Number in Current Year (INR)	Items	Line	Actual Number in Last Year	Actual Number in Current Year (RMB)	Actual Number in Current Year (INR)
1. Main Operation Revenue/Sales	1		7,817,050.73	44,262,486.00	6. Net profit	33		(108,371.64)	(613,633.00)
Include: Export sales income	2				Add: (1) Undistributed profits at the year end	34			
Import sales income	3				(2) Other adjustment elements	35			
Less: Discount and Rebate	4				7. Distributable profit	36		(108,371.64)	(613,633.00)
2. NET Main Operation Revenue/Sales	5		7,817,050.73	44,262,486.00	Less: (1) Withdrawal of legal reserved fund	37			
Less: (1) Cost of main Operation/Sales	6		8,163,488.61	46,224,122.00	(2) Withdrawal of legal public welfare fund	38			
Include: Cost of export sales	7				(3) Withdrawal of employee bonus and welfare fund	39			
(2) Main Operation Taxes/Sales Taxes	8				(4) Withdrawal of reserve fund	40			
(3) Others	9				(5) Withdrawal of enterprise development fund;	41			
3. Main operation profit (loss expressed with '-')	10		(346,437.88)	(1,961,635.00)	(6) Profits capitalizad on return of investment	42			
Add: other business profit (loss expressed with '-')	11				(7) Others	43			
Less: (1) Operating Expense	12		42,168.80	238,772.00	(8) Profit distributable in investors	44		(108,371.64)	(613,633.00)
(2) General and Administrative Expense	13		536,793.83	3,039,488.00	Less: (1) Preference stock dividend payable	45			
Including: Business Reception Expense	14				Including: Chinese payable	46			
Reseach & Development Cost	15				Foreign payable	47			
(3) Financial Expense	16		(86,639.86)	(490,581.00)	(2) Withdrawal of free surplus fund	48			
Including: Interest expense	17				(3) Common stock dividend payable	49			
Interest income	18				Including: Chinese payable	50			
Net Exchange Losses/Net income expressed with "-"	19		(838,760.65)	(4,749,314.00)	Foreign payable	51			
(4) Others	20				(4) Common Stock dividends change to assets(or stock)	52			
4. Operating Income (loss expressed with '-')	21				Including: Chinese payable	53			
Add: (1) Investment Income (loss expressed with '-')	22				Foreign payable	54			
(2) Futures incomeloss expressed with '-'	23				(5) Others	55			
(3) Subsidies	24		730,389.01	4,135,682.00	9. Undistributed profits	56		(108,371.64)	(613,633.00)
(4) Non-operating Income	25					57			
(5) Others	26				Supplement Information	58			
Less: Non-operating expenses	27				(1) Incomes from sales & disposal of a business unit or invested entity	59			
Including: Donation outlay	28				(2) Losses in natural disasters expressed with '+'	60			
5. Income Before Tax loss expressed with '-'	29		(108,371.64)	(613,633.00)	(3) Increase/(decrease)in total profit as a result of changes in accounting policies	61			
Less: Income Tax	30				(4) Increase/(decrease)in total profit/(loss) as result of changes in accounting estimates	62			
*Minority shareholder's profit & losses	31				(5) Losses from debt restructuring expressed with '+'	63			
Add: *Unconfirmed investment losses expressed with '-'	32				(6) Others	64			

Noteltems with "*" are for statement combination only
Exchange rate used for translation 1 RMB = INR 5.6623

Seal for Accounting Statements, Shanghai Financial Bureau

**Final Accounting Statements for Foreign-invested Enterprises in Shanghai in 2006
Cash Flows Statement**

K.W.N.T.03 Table
Unit: RMB Yuan

Drafted by : Shrenuj (Shanghai) Diamond Co., Ltd

Item	Line	Amount (RMB)	Amount (INR)	Item	Line in	Amount (RMB)	Amount (INR)
1. CASH FLOWS FROM OPERATING ACTIVITIES	1			Additional Data:	35		
Cash received from sale of goods or rendering of services	2	5,744,861.79	32,529,131.00	1. Reconciliation of net profit/(loss) to cash flows from operating activities	36		
Refund of tax and levies	3	730,389.01	4,135,682.00	Net profit	37	(108371.64)	(613633.00)
Other cash received relating to operating activities	4	940,036.86	5,322,771.00	Add: * Minor shareholders' equities	38		
Other cash received relating to operating activities	5	7,415,287.66	41,987,583.00	Less: *Unconfirmed investment losses	39		
Cash paid for goods and services	6	6,724,883.96	38,078,310.00	Add: Provision for asset losses reserve	40		
Cash paid to and on behalf of employees	7	85,913.20	486,466.00	Depreciation of fixed assets	41	4233.63	23972.00
Payments of all types of taxes	8	959,679.19	5,433,991.00	Amortisation of intangible assets	42		
Other cash paid relating to operating activities	9	574,729.00	3,254,288.00	Amortisation of long-term prepaid expenses	43		
Sub-total of cash outflows	10	8,345,205.35	47,253,056.00	Decrease in prepaid expenses (less: increase)	44		
Net cash flows from operating activities	11	(929,917.69)	(5,265,473.00)	Increase in prepaid expenses (less: decrease)	45		
2. CASH FLOWS FROM INVESTING ACTIVITIES	12			Losses on disposal of fixed assets, intangible assets and other long-term assets (less: gains)	46		
Cash received from disposal of investments	13			Losses on disposal of fixed assets	47		
Cash received from returns on investments	14			Financial expenses	48	2513.62	14233.00
Net cash received from disposal of fixed assets, intangible assets & other long-term assets	15			Losses arising from investments (less: gains)	49		
Other cash received relating to investing activities	16			Deferred tax credit (less: debit)	50		
Sub-total of cash inflows	17			Decrease in inventories (less: increase)	51	(403890.77)	(2286951.00)
Cash paid to acquire fixed assets, intangible assets & other long-term assets	18	45,171.00	255,772.00	Decrease in operating receivables (less: increase)	52	(2934429.02)	(16615617.00)
Cash paid to acquire investments	19			Increase in operating payables (less: decrease)	53	2423386.63	13721942.00
Other cash payments relating to investing activities	20			Others (less: decrease)	54	86639.86	490581.00
Sub-total of cash outflows	21	45,171.00	255,772.00	Net cash flows from operating activities	55	(929917.69)	(5265473.00)
Net cash flows from investing activities	22	(45,171.00)	(255,772.00)	2. Investing and financing activities that do not involve cash receipts and payment	56		
3. CASH FLOWS FROM FINANCING ACTIVITIES	23			Conversion of debt into capital	57		
Cash received from equity investments	24	1,533,611.68	8,683,769.00	Reclassification of convertible bonds expiring within one year as current liability	58		
Cash received from borrowings	25			Fixed assets acquired under finance leases	59		
Other cash received relating to financing activities	26			Others	60		
Sub-total of cash inflows	27	1,533,611.68	8,683,769.00		61		
Cash repayments of amounts borrowed	28				62		
Cash payments for distribution of dividends or profit	29			3. Net increase/(decrease) in cash and cash equivalents	63		
Other cash payments relating to financing activities	30			Cash at end of year	64	469369.51	2657711.00
Sub-total of cash outflows	31			Less: Cash at beginning of year	65		
Net cash flows from financing activities	32	1,533,611.68	8,683,769.00	Add: Cash equivalents at end of year	66		
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	33	(89,153.48)	(504,814.00)	Less: Cash equivalents at beginning of year	67		
5. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34	469,369.51	2,657,711.00	Net increase/(decrease) in cash and cash equivalents	68	469369.51	2657711.00

Note: Items with "*" are for statement combination only Seal for Accounting Statements, Shanghai Financial Bureau
Exchange rate used for translation 1 RMB = INR 5.6623

Adjustment Table of Taxable Income
(For the year ended 31st December 2007)

Company: Shrenuj (Shanghai) Diamond Co., Ltd.

Unit: RMB yuan

Item	Description	Taxable income	
1	Total profits	-108371.64	
2	Adjusted items	Increase	Decrease
3	For organization expenses amortized at a time, since the expenses shall be amortized within five years according to the tax law, the tax payment for the current period will be adjusted (Original amount incurred RMB 186,499.60, amount amortizable for the current period RMB 18,649.96, RMB 167,849.64 remains unamortized)	167,849.64	
	Total adjusted amount	167,849.64	
4	Taxable income after adjustment	59,478.00	

Note: This Table is for your reference only. Adjustment of taxes is subject to the approval of the tax authority.
Prepared on: 16th April 2008



Notes to the Financial Statements of Shrenuj (Shanghai) Diamond Co., Ltd.

(All amounts in RMB unless otherwise stated)

1. Company overview

Shrenuj (Shanghai) Diamond Co., Ltd. (the "Company") was duly founded in June 2007 by INTER-GEMS(H.K) LIMITED. The registration no. of the Company's business license is 323014 (Pudong). The total investment comes up to USD 280,000 and the registered capital USD 200,000. Currently the Company is in the operation period and the business line is in diamond. The main scope of businesses covers diamond (exclusive of gold and silver) transactions made at Shanghai Diamond Exchange, which involve entropot trade, processing trade and import-export trade. (If the business is subject to administrative license, operate by license.)

2. Principal accounting policies and accounting estimates

- (1) Accounting rule carried out: *China Accounting System for Business Enterprises*
- (2) Accounting period: the accounting year from January 1 to December 31 of the Gregorian calendar
- (3) Standard money for accounting and foreign currency translations: RMB is used as the standard money for accounting. Foreign currency transactions are converted at the market exchange rate of the time when the transactions happen (at beginning of the period when the transactions happen) and booked in RMB. Balances of foreign currency accounts at the end of the report period are adjusted in RMB according to the market exchange rate then.
- (4) Accounting basis and valuation principle: accrual basis and the principle of historical cost.
- (5) Accounts receivable and provision for bad debts:
 - a) Accounts receivable refer to receivables due from units who have purchased commodities, products or accepted labor services, etc. These receivables are generally valued and accounted on the basis of the actual amount incurred.
 - b) Confirmation criteria of bad debts: For receivables that surely cannot be recovered according to the legal liquidation procedures due to the cancellation or bankruptcy of the debtor; receivables that could not be recovered due to the death of the debtor who has neither any legacy for liquidation nor any obligor to assume the debts; receivables that could not be recovered for the reason that the debtor has failed to fulfill the repayment duty after the expiration date and there is strong evidence that recovery is really impossible, bad debts would be cancelled after verification according to the supervisory privilege of the Company.
 - c) Accounting method for bad debt losses: Allowance method.
- (6) Accounting rule and valuation method for inventories:
 - a) Valuation methods for acquired and shipped inventories: When doing daily accounting, acquired inventories are valued at the actual cost while shipped inventories are valued at specific identification method.
 - b) Amortization method for low-value consumables: one-off amortization method.
 - c) Inventory system: perpetual inventory system. At the end of period, after inventories have been checked thoroughly, provision for inventory depreciation would be accrued according to the lower of the cost of inventory or the net realizable value of it. Provision for inventory depreciation is accrued based on single-item inventory/inventory classification.
- (7) Accounting methods for long-term investment
 - a) The cost for acquiring the investment is determined on the actual cost incurred, including taxes and commission fees, etc.
 - b) Method for accruing long-term equity investment: Long-term equity investment that has no control/mutual control over and material influences on the invested unit shall be accounted for by cost method. If the said investment will have control/mutual control over or material influences on the invested unit, accounted for by equity method.
 - c) Amortization method for long-term equity investment balance: For equity investment debit balance checked through accounting of the long-term equity investment equity method, if the contract stipulates the investment period, the balance is amortized averagely within investment period. Otherwise, it is amortized averagely within 10 years.
 - d) Method to accrue provision for impairment of long-term investment: To accrue item by item at the end of period provision for impairment of long-term investment based on the difference by which the collectible amount is lower than book value of the long-term investment.
- (8) Valuation and depreciation methods for fixed assets, the expected service life and the depreciation ratio: as per relevant regulations on financial management in foreign investment enterprises.

Fixed assets refer to buildings and constructions, transportation equipment and other equipment that have a service life of over one year, also refer to articles whose unit price is over RMB 2,000, service life more than 2 years and do not come under the classification of main equipment for production and operation purpose. These fixed assets are accounted for at the actual cost of acquisition, and the depreciation is accounted for by straight-line-method.

Category	Estimated service life	Estimated net and residual value rate	Annual depreciation ratio
Other equipment	5	10%	18%

Method for accruing provision for impairment of fixed assets: At the end of period, if the recoverable amount of the fixed assets is lower than the difference of the book value due to continuous market price declining, increasingly antiqued

technology, damage and long-term idle status, etc., the provision for impairment of fixed assets shall be accrued item by item based on the difference by which the estimated recoverable amount is lower than the book value of the relevant fixed asset.

(9) Accounting method for construction in progress:

To be accounted for at the actual cost of construction classified by projects. After the construction project is ready for the intended use, it can be transferred to fixed assets. If completion settlement is not yet conducted, it shall be transferred at the estimated value and adjusted after the completion settlement procedure has been completed.

Method for accruing provision for impairment of construction in progress: At the end of period, if the construction has been stopped for a long period and such a condition will remain in the coming three years, as estimated, or construction in progress has far lagged behind in terms of performance and technology and has a big uncertainty in possible economic benefits to the enterprise, the provision for impairment of construction in progress shall be accrued.

(10) Accounting methods for intangible assets, long-term deferred and prepaid expenses and other assets:

- a) Valuation method for acquisition of intangible assets: to be accounted for at the actual cost of acquisition and amortized averagely over the period since estimated benefit period from the month of acquisition.
- b) Amortization method for organization expenses: to be accounted into the profits/losses of the current month when the Company begins the operations.
- c) Method to amortize other long-term deferred and prepaid expenses: to be amortized averagely within the benefit period.
- d) Method for accruing provision for impairment of intangible assets:

At the end of period, for intangible assets whose profit-making capability has been heavily impacted on due to replacement by other new technologies and the market price slump, or intangible assets whose market price declining will remain as estimated or intangible assets with partial use value in spite that the protection period to the said assets according to the law expired, the difference by which the collectible amount is lower than the book value shall be accrued for provision for impairment of intangible assets.

(11) Accounting methods for loans:

The ancillary expense incurred to a specific borrowed loan shall be capitalized before the assets acquired are ready for the intended use. If this expenses incurred is a small expense, it can be accounted into the current profit/loss statement.

The expenses arising from a general borrowing and from a specific borrowing that is not in accordance with the regulation on capitalization shall be accounted into the profits/losses of the current period.

(12) Rules for revenue recognition

- a) Revenues from the sales of commodities: The Company has transferred the major risks and remunerations concerning the ownership of commodities to the buyer; The Company doesn't reserve the continuous management right and actual control right on the said commodities, thus transaction relevant economic interests can flow into the enterprise; When revenues and costs concerned can be reliably measured, revenues from sales can be considered realized.
- b) Revenues from the provision of services: If the services starts and are completed in the same accounting year, revenues from the provision of services shall be recognized at the time of completion of the services, receipt of payment or acquisition of evidence for received payment, revenues from sales can be considered realized. If the start and completion of services are in different accounting years, as long as the service transaction result can be reliably estimated, revenues from the provision of services concerned can be recognized by completion percentage at the balance sheet date.

(13) Cost accounting method: Category costing method.

3. Tax items: (In cases of tax deduction or exemption, state approval authority, approval number, deduction or exemption rate and validity).

The tax rate applicable to the Company:	VAT	tax rate 17%
	Sales tax	tax rate 5%
	Enterprise income tax	tax rate 15%

4. Principle and methods for profit distribution:

Reserve fund, production development fund, staff bonus and welfare fund shall be withdrawn from the enterprise profit after tax in accordance with the resolution made at the meeting of the board of directors. The balance after withdrawing the above-said funds shall be distributed in proportion to one's respective contribution to the investment.

5. Notes to major accounting items: (Unit: RMB yuan)

(1) Monetary assets:

Item	Amount by the end of period	Amount at beginning of period
Cash on hand	36,528.00	
Cash in bank	432,841.51	
Total	469,369.51	

Of which: Foreign currency amount [USD]

Exchange rate

RMB converted into (list separately in case of multiple foreign currencies)

(2) Accounts receivable:

Aging	Amount by the end of period		Amount at beginning of period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	2,887,173.08			
1 to 2 years				
2 to 3 years				
Above 3 years				
Total	2,887,173.08			

Of which: Receivables of big amount are from:

Company	Summary	Amount
Lorenzo (Shenzhen) Co., Ltd.	Payment for goods	1,008,800.77
Shanghai Narui Trade Co., Ltd.	Payment for goods	622,858.71
Shanghai Diamerson Diamond & Jewelry Co., Ltd.	Payment for goods	461,168.62

(3) Other receivables:

Aging	Amount by the end of period		Amount at beginning of period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	47,255.94			
1 to 2 years				
2 to 3 years				
Above 3 years				
Total	47,255.94			

Of which: Receivables of big amount are as follows:

Company	Summary	Amount
Shanghai Diamond Exchange Co., Ltd.	Deposit	47,255.94

(4) Inventory:

Item	Amount by the end of period		Amount at beginning of period	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Stocks	403,890.77			
Total	403,890.77			

(5) Fixed assets - cost and accumulated depreciation:

a) Fixed assets - cost

Category	Amount at beginning of period	Increase	Decrease	Amount by the end of period
Other equipment		45,171.00		45,171.00
Total		45,171.00		45,171.00

b) Accumulated depreciation

Category	Amount at beginning of period	Increase	Decrease	Amount by the end of period
Other equipment		4,233.63		4,233.63
Total		4,233.63		4,233.63

(6) Accounts payable:

Amount by the end of period	Amount at beginning of period
2,306,711.89	

Of which: a) Amount due to the shareholder: RMB 2,306,711.89 (USD 315,788.94).

(7) Taxes payable:

Tax type	Tax rate	Amount by the end of period	Amount at beginning of period
VAT	17%	-140,324.05	
Enterprise income tax	4-45%	95.00	
Tax		-140,229.05	

(8) Other payables:

Amount by the end of period	Amount at beginning of period
256,903.79	

Of which: payables of big amount are as follows:

Enterprise	Amount	Reason for non-payment
DIPAN JAGDISH PATEL	249,248.69	Advances from legal representative

(9) Paid-in capital:

Investor	Amount at beginning of period	Increase	Decrease	Amount by the end of period	[Non-RMB capital amount]
INTER-GMS(H.K) LIMITED		1,541,266.78		1,541,266.78	USD 200,000.00
Total		1,541,266.78		1,541,266.78	USD 200,000.00

Note: The above-said capital has been verified by Shanghai Zhong Hui Certified Public Accountants Co., Ltd. by issuance of the Capital Verification Report (Shanghai Zhong Hui. (2007) Audit No. 0870.)

(10) Undistributed profits:

Amount at beginning of period	Increase	Decrease / Loss	Amount by the end of period
		108,371.64	-108,371.64

(11) Sales revenue: Amount incurred in the current period is RMB 7817050.73.

Item	Amount of current period	Amount of last period
Transactions at Shanghai Diamond Exchange	3,023,026.78	
General transactions	4,794,023.95	

(12) Cost of sales: Amount incurred in the current period is RMB 8,163,488.61.

Item	Amount of current period	Amount of last period
Transactions at Shanghai Diamond Exchange	2,959,962.70	
General transactions	5,203,525.91	

(13) Operating expenses: Amount incurred in the current period is RMB 42,168.80.

Of which: Main items include:

Item	Amount of current period	Amount of last period
Transportation expense	3,285.00	
Travel expense	25,687.80	
Exhibition fee	9,946.00	
Customs clearance fee	3,250.00	

(14) General and administrative expenses: Amount incurred in the current period is RMB 536,793.83.

Of which: Main items include:

Item	Amount of current period	Amount of last period
Business entertainment expense	2,237.00	
Salaries and wages	60,600.00	
Rent and property management fee	165,395.79	
Amortization of organization expense	186,499.60	
Office expense	45,196.95	

(15) Financial expenses: Amount incurred in the current period is RMB -86,639.86.

Item	Amount of current period	Amount of last period
Interest income	2,410.32	
Commission fee	4,923.94	
Exchange profit/loss	-89,153.48	
Total	-86,639.86	

6. Notes to other accounting items:

- (1) Contingent items: Contingent items that need no explanation.
- (2) Promised items: Contingent items that need no explanation.
- (3) Related party, transactions between related parties and the Company and the balance
 - a) Related party that has a control relationship with the Company
 Related party who controls the Company:
 Enterprise Relationship with the Company Economic nature Legal representative
 INTER-GEMS Investor (H.K) LIMITED
 - b) Related party who has no control relationship with the Company:
 Enterprise Relationship with the Company
 DIPAN JAGDISH PATEL Legal representative
 - c) Transactions between related parties and the Company and the balance
 Balance from current account with INTER-GEMS (H.K) LIMITED is RMB 2,306,711.89 of the account payable (credit)
 Balance from current account with DIPAN JAGDISH PATEL is RMB 249,248.69 of the other payable (credit).
- (4) Items after the balance sheet date: Contingent items that need no explanation.
- (5) Other important items: Contingent items that need no explanation.

Shrenuj South Africa (Pty) Ltd

MOORE STEPHENS
Chartered Accountants (SA)
Roodbloom Manox
22 Lawley Road
Woodstock 7925
P O Box 1955
Cape Town. 8000.

26 June 2008

TO WHOM IT MAY CONCERN

SHRENUJ SOUTH AFRICA (PTY) LTD
Registration Number : 2005/010997/07

Sir

We are the Auditors for **Shrenuj South Africa (Pty) Ltd**

We hereby confirm that the Company is dormant, has no assets or liabilities and has never conducted business.

Your sincerely
MOORE STEPHENS BKV

Per:
PARTNER

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the period from 01 April 2007 to 31 March 2008.

Principal activities and review of the business

The principal activity of the company continued to be that of holding investments.

1) Review of the business :-

The Company has during the year invested in a venture in Italy. With the stakes in the companies based out of Israel and France, alongwith Italy this year, the management expects good growth in the revenues/ results of the subsidiaries.

2) Risk & uncertainties :-

The Company is a holding company and as such does not bear any major business risks. The only limited business risk that it bears is the loss of investments, if the subsidiaries do not perform which according to the management is highly unlikely. Forex risk if any, due to volatility in the forex markets is being closely monitored by the management.

3) Future Developments :-

The Company has acquired 100% stakes in Alija International Pty Ltd. post the balance sheet date. This company is based out-of Australia.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office during the period ended 31 March 2008.

Mr. S K Doshi

Mr. J B Patel

Mr. V S Doshi

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP will be put to the members at the annual general meeting.

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Mr. J B Patel
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHRENUJ UK LIMITED

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor

Chartered Accountants
1' Floor
46 Clarendon Road
Watford
Herts
WD17 1JJ

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

Notes	2008 £	2007 £	2008 INR	2007 INR
Other operating expenses	1 (14,852)	(28,079)	(1,181,108)	(2,232,988)
OPERATING LOSS	(14,852)	(28,079)	(1,181,108)	(2,232,988)
Investment Income	2 2,635	2,452	209,549	194,996
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3 (12,217)	(25,627)	(971,559)	(2,037,992)
Taxation	4 -	-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(12,217)	(25,627)	(971,559)	(2,037,992)

The operating loss for the year arises from company's continuing operations.

No separate Statement of Total Recognised Gains & Losses has been presented as all such gains & losses have been dealt with in the Profit and Loss Account.

(Exchange rate used for translation 1 GBP = INR 79.5252)

**BALANCE SHEET
31 MARCH 2008**

Notes	2008 £	2007 £	2008 INR	2007 INR
FIXED ASSETS				
Investments	5 4,380,879	2,320,782	348,390,279	184,560,653
CURRENT ASSETS				
Debtors	6 775,198	339,444	61,647,776	26,994,352
Cash at bank and in hand	799,614	48,072	1,941,687	3,822,935
	799,614	387,516	63,589,463	30,817,287
CREDITORS: Amounts falling due within one year	7 (54,961)	(47,234)	(4,370,785)	(3,756,293)
NET CURRENT ASSETS	744,653	340,282	59,218,678	27,060,994
CREDITORS: Amounts falling due after more than one year	8 (929,087)	-	(73,885,829)	-
TOTAL ASSETS LESS LIABILITIES	4,196,445	2,661,064	333,723,128	211,621,647
CAPITAL AND RESERVES				
Called up Share Capital	9 4,240,098	2,692,500	333,723,128	211,621,647
Profit & Loss Account	10 (43,653)	(31,436)	333,723,128	211,621,647
SHAREHOLDERS' FUND	11 4,196,445	2,661,064	667,446,256	423,243,294

The financial statements on pages 4 to 10 were approved by the board of directors and authorised for issue on August, 2008 and are signed on its behalf by:

Mr. J. B. Patel
Director

(Exchange rate used for translation 1 GBP = INR 79.5252)

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

GROUP ACCOUNTS

The company and its undertakings comprise a small sized group. The company is also a wholly owned subsidiary of a company preparing consolidated financial statements. The Company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act, 1985 not to prepare group accounts. The accounts present information about the company as an individual undertaking and not about its group.

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

	2008 £	2007 £	2008 INR	2007 INR	
1 OTHER OPERATING EXPENSES					
Administrative expenses	14,852	28,079	1,181,108	2,232,988	
2 INVESTMENT INCOME					
Bank Interest	2,635	2,452	209,549	194,996	
3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION					
Loss on ordinary activities before taxation is stated after charging / (Crediting) :					
Loss on Foreign exchange transactions	1,562	20,937	124,218	1,665,019	
Auditor's Remuneration	4,500	3,144	357,863	250,027	
4 Factors affecting the tax charge for the year :					
Loss on ordinary activities before taxation	(12,217)	(25,627)	(971,559)	(2,037,992)	
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax for small companies of 20% (2007: 19.00%)	(2,443)	(4,869)	(194,280)	(387,208)	
Effect of :					
Other tax adjustments	(2,443)	(4,869)	(194,280)	(387,208)	
	(2,443)	(4,869)	(194,280)	(387,208)	
Current tax charge	-	-	-	-	
(Exchange rate used for translation 1 GBP = INR 79.5252)					
5 FIXED ASSET INVESTMENTS					
			Subsidiary undertakings	Associated undertakings	Total
			Shares	Loans	Shares
1 April 2007	£	1,207,071	-	1,113,711	2,320,782
	INR	95,992,563	-	88,568,090	184,560,653
Additions	£	594,044	1,433,424	32,629	2,060,097
	INR	47,241,468	113,993,330	2,594,828	163,829,626
31 March 2008	£	1,801,115	1,433,424	1,146,340	4,380,879
	INR	143,234,031	113,993,330	91,162,918	348,390,279

All investments are unlisted.

Holding of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Face Value	Class	Shares Held	%
Participating Interests					
Jomard SAS	France	Euro 16 Each	Ordinary	2500 Shares	50%
Shrenul GMBH	Germany	No Shares issued	Ordinary	-	100%
Shrenuj NV	Antwerp	No Shares issued	Ordinary	-	100%
SWA Trading Ltd.	Israel	NIS 1 Each	Ordinary	225000 Shares	33.33%
Shrenuj Australia Pty. Ltd	Australia	AUD 1 Each	Ordinary	10 Shares	100%
Lume Germany GMBH	Germany	No Shares issued	Ordinary	-	100%
Lume Group AG	Germany	CHF 1000 Each	Ordinary	100 Shares	100%
Copem & Shrenuj	Italy	No Shares issued	Ordinary	-	50%

All investments are unlisted.

Holding of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Face Value	Class	Shares Held	%
Participating Interests					
Jomard SAS	France	Euro 16 Each	Ordinary	2500 Shares	50%
Shrenul GMBH	Germany	No Shares issued	Ordinary	-	100%
Shrenuj NV	Antwerp	No Shares issued	Ordinary	-	100%
SWA Trading Ltd.	Israel	NIS 1 Each	Ordinary	225000 Shares	33.33%
Shrenuj Australia Pty. Ltd	Australia	AUD 1 Each	Ordinary	10 Shares	100%
Lume Germany GMBH	Germany	No Shares issued	Ordinary	-	100%
Lume Group AG	Germany	CHF 1000 Each	Ordinary	100 Shares	100%
Copem & Shrenuj	Italy	No Shares issued	Ordinary	-	50%

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

Company	Principal activity	Capital and reserves		Profit/loss for the year	
		£	INR	£	INR
Jomard SAS	Trading outlet for Jewellery and gems	721,160	57,350,393	14,659	1,165,760
Shrenuj GMBH	Trading outlet for Jewellery and gems	(572,159)	(45,501,059)	(193,818)	(15,413,415)
Shrenuj NV	Trading for rough & polished diamonds	2,053,713	163,321,937	86,924	6,912,648

Company	Principal activity	Capital and reserves		Profit/loss for the year	
		£	INR	£	INR
SWA Trading Ltd.	Trading for rough & polished diamonds	224,234	17,832,254	30,648	2,437,288
Shrenuj Australia Pty. Ltd	Trading outlet for Jewellery and gems	(102,071)	(8,117,217)	(60,892)	(4,842,448)
Lume Germany GMBH (Dianova GMBH)	Trading outlet for Jewellery and gems	(228,054)	(18,136,040)	(18,873)	(1,500,879)
Lume Group AG	Trading outlet for Jewellery and gems	155,282	12,348,832	105,116	8,359,371
Copem & Shrenuj	Trading outlet for Jewellery and gems	-	-	-	-

These investments are for long term benefit and there are no immediate plans for resale. The directors are of the opinion that there is no impairment of the value of investments and will review again at the end of the next financial year.

(Exchange rate used for translation 1 GBP = INR 79.5252)

6 DEBTORS	2008 £	2007 £	2008 INR	2007 INR
Due within one year:				
Amount owed by group undertaking and undertakings in which the company has a participating interest	769,223	296,827	61,172,613	23,605,227
Other Debtors	5,975	42,617	475,163	3,389,125
	<u>775,198</u>	<u>339,444</u>	<u>61,647,776</u>	<u>26,994,352</u>

7 CREDITORS: Amounts falling due within one year	2008 £	2007 £	2008 INR	2007 INR
Amount owed by group undertaking and undertakings in which the company has a participating interest	30,544	26,766	2,429,018	2,128,572
Other Creditors	24,417	20,468	1,941,767	1,627,722
	<u>54,961</u>	<u>47,234</u>	<u>4,370,785</u>	<u>3,756,294</u>

8 CREDITORS: Amounts falling due after more than one year	2008 £	2007 £	2008 INR	2007 INR
Unsecured Loan	929,087	-	73,885,829	-
During the year, the company entered into three unsecured loans amounting to US\$ 1,842,192 (£ 929,087) from Facet Hong Kong : The loans are repayable by September 2012. No interest charges accrued on the loans during the year and interest will be mutually negotiated in future years. Shrenuj UK Ltd. has the right to pay back the loans earlier.				
	<u>929,087</u>	<u>-</u>	<u>73,885,829</u>	<u>-</u>

9 Share Capital	2008 £	2007 £	2008 INR	2007 INR
Authorised : 10,000,000 (2007: 5,000,000) Ordinary Shares of £ 1 each	10,000,000	5,000,000	795,252,000	397,626,000
Allotted, Called up and fully paid Equity Shares 3,943,025 Ordinary Shares of £ 1 each	4,240,098	2,692,500	337,194,641	214,121,601
	<u>4,240,098</u>	<u>2,692,500</u>	<u>337,194,641</u>	<u>214,121,601</u>

During the year 1,250,525 shares of £1 each were allotted to Shrenuj (Mauritius) Pvt Ltd. for cash. These shares are fully paid up. A further 297,073 shares of £1 each were applied for and were on subsequently issued in June, 2008.

(Exchange rate used for translation 1 GBP = INR 79.5252)

10 STATEMENT OF MOVEMENT ON RESERVES	2008 £	2007 £	2008 INR	2007 INR
1 April 2007	(31,436)	(5,809)	(2,499,954)	(461,962)
Retained loss for the year	(12,217)	(25,627)	(971,559)	(2,037,992)
31 March 2008	<u>(43,653)</u>	<u>(31,436)</u>	<u>(3,471,513)</u>	<u>(2,499,954)</u>

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUND	2008 £	2007 £	2008 INR	2007 INR
Loss for the financial period	(12,217)	(25,627)	(971,559)	(2,037,992)
Proceeds from issue of shares	1,250,525	1,606,000	99,448,251	127,717,471
Proceeds from Share Application Money	297,073	-	23,624,790	-
Net addition to shareholders' funds	1,535,381	1,580,373	122,101,482	125,679,479
Opening shareholders' funds	2,661,064	1,080,691	211,621,647	85,942,168
Closing shareholders' funds	<u>4,196,445</u>	<u>2,661,064</u>	<u>333,723,129</u>	<u>211,621,647</u>

12 CONTROL
The company's ultimate parent undertaking and controlling party at the balance sheet date was Shrenuj & Co. Limited, a company incorporated in India.

13 RELATED PARTY TRANSACTIONS
The company has taken advantage of exemptions, conferred by Financial Reporting Standard No. 8 from the requirement to make disclosures concerning related parties, since it is a wholly owned subsidiary of a company preparing consolidated financial statements. The copy of the audited financial statements for Shrenuj & Co. Limited can be obtained at www.shrenuj.in

14 POST BALANCE SHEET EVENTS

- (i) The Company is in the process of acquiring 100% stakes in Alija International Pty Ltd., registered in Australia.
- (ii) USD 600,000 was received from the Holding Company, Shrenuj (Mauritius) Pvt. Ltd. towards the share application which was allotted in June 2008.

(Exchange rate used for translation 1 GBP = INR 79.5252)



SHRENUJ USA LLC

BALANCE SHEET AS AT 31ST MARCH 2008

LIABILITIES	SCHEDULE	USD	INR
SHARE CAPITAL	A	1035000	41513850
RESERVES & SURPLUS	B	(497180)	(19941890)
SECURED LOANS	C	-	-
UNSECURED LOANS	D	937348	37597028
TOTAL		1475168	59168988
ASSETS			
FIXED ASSETS	E		
Gross Block		12307	493634
Less: Depreciation		4912	197020
Net Block		7395	296613
CURRENT ASSETS, LOANS & ADVANCES	F		
Inventories		5679821	227817620
Sundry Debtors		1270609	50964127
Cash & Bank Balances		52754	2115963
Loans & Advances		101579	4074334
		7104763	284972044
CURRENT LIABILITIES & PROVISIONS	G		
Current Liabilities		(5636990)	(226099669)
NET CURRENT ASSETS		1467773	58872375
TOTAL		1475168	59168988

PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

INCOME	USD	INR
Sales and Services	6884303	276129393
Other Income	2150	86237
TOTAL	6886453	276215630
EXPENDITURE		
Material Cost	6139828	246268501
Manufacturing & Other Expenses	1119138	44888625
Interest	-	-
Depreciation	7284	292161
TOTAL	7266250	291449288
PROFIT BEFORE TAXATION	(379797)	(1523365)
Less: Provision for Taxation - Current	-	-
Provision for Deferred Taxation	-	-
PROFIT AFTER TAXATION	(379797)	(15233658)
Prior period expenses	(12077)	(484408)
Surplus in Profit & Loss A/c. B/f.	(105306)	(4223824)
Balance carried to Balance Sheet	(497180)	(19941890)

GROUPINGS OF BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE	USD	INR
SCHEDULE 'A' - Share Capital		
Issued Subscribed And Paid-up		
Fully paid up	1035000	41513850
	1035000	41513850
SCHEDULE 'B' - Reserve and Surplus		
Surplus in P&L A/c.	(497180)	(19941890)
	(497180)	(19941890)
SCHEDULE 'C' - Secured Loans		
From Banks	-	-
SCHEDULE 'D' - Unsecured Loans		
Short term Loans & Advance from:		
Inter-Corporate Deposit	737348	29575028
Other	200000	8022000
	937348	37597028
SCHEDULE 'E' - Fixed Assets		
Cost	12307	493634
Less: Depreciation	4912	197020
	7395	296613
SCHEDULE 'F' - Current Assets, Loans & Advances		
A. Current Assets Inventories		
Finished Goods	5679821	227817620
Sundry Debtors	1270609	50964127
Cash and Bank Balances		
Cash on hand	500	20055
Balances with Scheduled Banks		
Current Accounts	52254	2095908
	52754	2115963
B. Loans & Advances		
Due from Subsidiary Company	88117	3534373
Advances recoverable in cash or in kind or for value to be received	13462	539961
	101579	4074334
TOTAL (A) + (B)	7104763	284972044
SCHEDULE 'G' - Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
Sundry Creditors/Related parties	5636990	226099669

GROUPINGS OF PROFIT & LOSS A/C. FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE	USD	INR
SCHEDULE 'K' - Sales		
Sales	6364869	255294896
Service Charges	519434	20834497
	6884303	276129393
SCHEDULE 'L' - Other Income		
Sundry Receipts	2150	86237
SCHEDULE 'M' - Materials Cost		
Purchase of Finished Goods	10107140	405397385
Variation in Stock		
Stock at close	5679821	227817620
Less: Stock at commencement	(1712509)	(68688736)
Materials Cost	6139828	246268501
SCHEDULE 'N' - Manufacturing & Other Expenses		
Rent	11857	475584
Employees's Emoluments:		
Salaries, Wages, Gratuity, Bonus etc.	261961	10507256
Welfare expenses	500	20055
Selling & Distribution Expenses		
Freight & forwarding charges	109725	4401070
Advertisement Expenses	16977	680947
Commission	253213	10156373
Other Selling & Distribution Expenses	310	12434
Other Expenses:		
Insurance	8938	358503
Other Repairs	495	19854
Legal & Professional Charges	182557	7322361
Bad Debts	154787	6208507
Travelling, Conveyance and Vehicle expenses	23102	926621
Miscellaneous Expenses	92642	3715871
Loss on sale / discarded of Assets	2074	83188
Manufacturing & Other Expenses	1119138	44888625
SCHEDULE 'O' - Interest		
Depreciation	7284	292161
TOTAL	7266250	291449288
Net profit after tax	(379797)	(15233658)
Prior period expenses	(12077)	(484408)
Surplus in Profit & Loss A/c. B/f.	(105306)	(4223824)
Balance Available for appropriation	(497180)	(19941890)

(Exchange rate used for translation 1 USD = INR 40.11)

Accountants' Review Report

To
The Board Of Directors
And Stockholders Of
Simon Golub & Sons, Inc.

We have reviewed the accompanying balance sheet of Simon Golub & Sons, Inc. as of March 31, 2008, and the related statements of operations, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view or are not presented fairly, in all material respects in accordance with International Accounting Standards.

Clark Nuber P.S.
Certified Public Accountants
May 23, 2008

Balance Sheet			Balance Sheet		
Assets			Liabilities And Stockholders' Equity		
March 31, 2008			March 31, 2008		
Current Assets:	US\$	INR	Current Liabilities:	US\$	INR
Cash and cash equivalents	791,195	31,734,831	Line of credit (Note 6)	1,000,000	40,110,000
Trade accounts receivable, net (Note 2)	13,242,734	531,166,061	Accounts payable	5,761,499	231,093,725
Federal taxes receivable	438,655	17,594,452	Accrued and other current liabilities	2,639,733	105,879,691
Current portion of notes receivable	8,314	333,475	Total Current Liabilities	9,401,232	377,083,416
Current portion of related party notes receivable	10,000	401,100	Deferred gain (Note 11)	880,734	35,326,241
Inventory (Notes 1 and 3)	19,259,303	772,490,643	Deferred tax liability (Note 5)	709,861	28,472,525
Prepaid expenses and other current assets	234,344	9,399,538	Long-term accrued and other liabilities	478,352	19,186,699
Total Current Assets	33,984,545	1,363,120,100	Total Liabilities	11,470,179	460,068,881
Equipment and improvements, net (Notes 1 and 4)	587,986	23,584,118	Stockholders' Equity:		
Long-term notes receivable	371,706	14,909,128	Preferred 4% noncumulative voting stock (\$50 (INR 2005.50) par value, 100 shares authorized)	5,000	200,550
Long-term related party notes receivable	570,000	22,862,700	Common nonvoting stock (\$25 (INR 1002.75) par value, 20,000 shares authorized)	274,077	10,993,228
Other assets	62,742	2,516,582	Additional paid-in capital	1,573,271	63,103,900
Total Assets	35,576,979	1,426,992,628	Retained earnings	22,254,452	892,626,070
Exchange rate used for translation 1 US\$ = INR 40.11			Total Stockholders' Equity	24,106,800	966,923,748
			Total Liabilities and Stockholders' Equity	35,576,979	1,426,992,629
			Exchange rate used for translation 1 US\$ = INR 40.11		

Statement of Operations
For The Period Ended March 31, 2008

	US\$	INR
Net sales	36,046,237	1,445,814,566
Cost of sales	(26,398,420)	(1,058,840,626)
Gross Profit	9,647,817	386,973,940
Commission revenue	5,480,644	219,828,631
Selling, general and administrative expenses	(13,832,229)	(554,810,705)
Operating Income	1,296,232	51,991,866
Other Income (Expense):		
Interest and dividend income	241,407	9,682,835
Interest expense	(120,185)	(4,820,620)
Other, net (Note 7)	(2,030,654)	(81,449,532)
Loss before income taxes	(613,200)	(24,595,451)
Income tax benefit	190,383	7,636,262
Net Loss	(422,817)	(16,959,189)
Exchange rate used for translation 1 US\$ = INR 40.11		



Statement of Changes In Stockholders' Equity

	Preferred Voting Stock		Common Nonvoting Stock		Additional Paid In Capital US\$	Retained Earnings US\$	Total US\$
	Shares Outstanding	Amount US\$	Shares Outstanding	Amount US\$			
Balance, March 31, 2007	100	5,000	10,963	274,077	-	24,183,443	24,462,520
Contribution	-	-	-	-	1,573,271	-	1,573,271
Dividends	-	-	-	-	-	(1,506,174)	(1,506,174)
Net loss	-	-	-	-	-	(422,817)	(422,817)
Balance, March 31, 2008	100	5,000	10,963	274,077	1,573,271	22,254,452	24,106,800

	Preferred Voting Stock		Common Nonvoting Stock		Additional Paid In Capital INR	Retained Earnings INR	Total INR
	Shares Outstanding	Amount INR	Shares Outstanding	Amount INR			
Balance, March 31, 2007	100	200,550	10,963	10,993,228	-	969,997,899	981,191,677
Contribution	-	-	-	-	63,103,900	-	63,103,900
Dividends	-	-	-	-	-	(60,412,639)	(60,412,639)
Net loss	-	-	-	-	-	(16,959,190)	(16,959,190)
Balance, March 31, 2008	100	200,550	10,963	10,993,228	63,103,900	892,626,070	966,923,748

Exchange rate used for translation 1 US\$ = INR 40.11

Statement of Cash Flows For The Period Ended March 31, 2008

	US\$	INR
Cash Flows from Operating Activities:		
Net loss from continuing operations	(422817)	(16959190)
Adjustments to reconcile change in net income to net cash		
Provided by operating activities:		
Depreciation and amortization	205497	8242485
Loss on sale of equipment	1288	51662
Deferred gain	(118749)	(4763022)
Deferred tax benefit	124819	5006490
Changes in operating assets and liabilities:		
Accounts receivable	241707	9694868
Taxes receivable	(342510)	(13738076)
Inventory	(2940538)	(117944979)
Prepays and other current assets	(58257)	(2336688)
Accounts payable	1134685	45512215
Accrued liabilities and taxes payable	1018109	40836352
Other assets	325633	13061140
Net Cash Used by Operating Activities	(831133)	(33336743)
Cash Flows from Investing Activities:		
Purchase of equipment and improvements	(256580)	(10291424)
Proceeds from notes receivable	17879	717127
Distribution of related party notes receivable	(500000)	(20055000)
Net Cash Used by Investing Activities	(738701)	(29629297)
Cash Flows from Financing Activities:		
Capital contribution	1573271	63103900
Dividends	(1506174)	(60412639)
Net draw on line of credit	1000000	40110000
Net Cash Provided by Financing Activities	1067097	42801261
Net Change in Cash	(502737)	(20164781)
Cash balance, beginning of year	1293932	51899613
Cash Balance, End of Year	791195	31734831
Cash paid for interest	120185	4820620
Cash paid for taxes	180917	7256581

Exchange rate used for translation 1 US\$ = INR 40.11

Notes To Financial Statements

Note 1 - Description Of The Company And Significant Accounting Policies

Description of the Company - Simon Golub & Sons, Inc. (the Company) is a sales and service organization that imports and distributes jewelry. The Company's primary customers are retailers in the United States. The Company is incorporated under the laws of the State of Washington in the United States and operates in Seattle, Washington.

Management has approved the financial statements for issue on May 30, 2008.

Basis of Preparation

The financial statements of Simon Golub & Sons, Inc. have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the following significant accounting policies. The financial statements have been prepared under the historical cost convention.

Presentation Currency

The financial statements and footnote disclosures are presented in U.S. dollars.

First Time Adoption of IFRS

Comparative information has not been presented due to a change in the Company's fiscal year end from December 31 to March 31. The Company issued U.S. GAAP based financial statements as of March 31, 2008 for Internal Revenue Service (IRS) and U.S. bank covenant compliance. The U.S. GAAP financial statements use Last-In-First-Out (LIFO) for purposes of valuing inventory. The following reconciles the financial position and financial performance from U.S. GAAP to IFRS. The conversion from U.S. GAAP to IFRS did not impact cash flows.

	LIFO Adjustment		
	U.S. GAAP	Including Tax Impact	IFRS
Retained Earnings April 1, 2007	\$ 21,212,764 INR 85,08,43,964	\$ 2,970,679 INR 11,91,53,935	\$ 24,183,443 INR 96,99,97,899
Retained Earnings March 31, 2008	\$ 18,835,822 INR 75,55,04,820	\$ 3,418,630 INR 13,71,21,249	\$ 22,254,452 INR 89,26,26,070
Net Loss Year Ended March 31, 2008	\$ (870,768) INR (3,49,26,504)	\$ 447,951 INR 1,79,67,315	\$ (422,817) INR (1,69,59,190)

Exchange rate used for translation 1 US\$ = INR 40.11

Use of Estimates

The preparation of financial statements in conformity with international accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments with original maturities of three months or less to be cash equivalents.

Trade Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Inventory and Gold Lease Obligation

Inventory consists primarily of finished jewelry which includes owned gold as a component. Finished jewelry is valued at the lower of cost or market. Inventories are stated at the lower of cost or market. Cost is determined using the first-in-first-out method.

To finance gold purchases, the Company enters into a lease agreement with a financial institution under which the Company takes possession and commits to purchase a specified quantity of gold. Currently, the agreement provides for a monthly term and contains the option to renew for an additional term at the discretion of the Company and the financial institution. The price paid under the terms of the agreement is equal to the fair market value of gold at the expiration date of the agreement. At March 31, 2008, the Company was subject to an agreement which obligated the Company to purchase 4,500 Troy ounces ("ounces") of gold, at a price equal to the fair market value on March 31, 2008. In the event this agreement is terminated, the Company will be required to return the gold or purchase the outstanding gold at the prevailing gold rate in effect on that date. For financial statement purposes, the agreement is an off-balance sheet arrangement. As such, the leased gold is not included in inventory on the balance sheet.

At March 31, 2008, the Company had on hand 4,500 ounces of gold in inventory to be acquired under the lease agreement, at a fair market value of \$ 4,131,000 (INR 16,56,94,410) or \$918 (INR 36821) per ounce. The Company's obligation under the agreement was for 4,500 ounces at March 31, 2008, or \$4,131,000 (INR16,56,94,410), represented by the gold inventory on hand and that amount sold during the contractual period ended March 31, 2008.

The agreement was secured by an outstanding standby letter of credit issued by the Company's bank, with a maximum level of \$5,000,000 (INR 20,05,50,000). In addition, the Company pays a fee to the lessor for the agreement equal to an annual rate of .87% of the fair market value of gold outstanding under the agreement for the year ending March 31, 2008.

Equipment and Improvements

Equipment and improvements are recorded at cost. Equipment and automobiles are depreciated on the declining-balance method over the estimated useful lives of the assets. Leasehold improvements and equipment are amortized over the term of the lease or the estimated life of the asset, whichever is shorter. Estimated useful lives used in determining depreciation and amortization are as follows:

Leasehold improvements	3 to 10 years
Equipment	5 to 10 years
Automobiles	3 to 6 years

Additions, replacements, and betterments are capitalized; maintenance and repairs are charged to operations as incurred. When assets are sold, retired or otherwise disposed off, the cost and the related accumulated depreciation are removed from the balance sheet accounts and the resulting gain or loss is included in income.

Revenue Recognition for Allowance Returns

Revenue is primarily derived from the sale of finished goods to retailers and from commissions earned from jewelry manufacturers for sales brokered by the Company.

Revenue from the sale of finished goods to retailers is recognized upon shipment, less an allowance for returns. The Company extends credit terms to its customers which call for payments for periods extending up to six months. At March 31, 2008, the company has recognized a liability for estimated merchandise returns of \$825,000 (INR 3,30,90,750).

Commission revenues for broker services are recognized when the purchaser and the manufacturer have completed the buy-sell transaction. Commissions were generally earned at an average rate of 5.94% of the transaction value during the year ending March 31, 2008. The Company recognizes an allowance at the time of the buy-sell transaction for estimated returns on commissions receivable. At March 31, 2008, the Company had a liability for estimated returns related to commission revenue of \$250,000 (INR 1,00,27,500).

Federal Income Taxes

Deferred income taxes are provided for all significant temporary differences for financial reporting purposes versus income tax reporting purposes. Temporary differences primarily relate to different inventory costing methods for financial reporting and tax purposes, depreciation timing differences, expenses accrued for financial reporting that are not deductible for tax, and deferred gain on a sale-leaseback transaction.

Advertising Costs

The Company expenses all advertising costs as incurred, except when the cost incurred results in tangible assets, such as printed material like brochures and catalogs which are capitalized and expensed as they are used. For the year ending March 31, 2008, the Company expensed \$254,830 (INR 1,02,21,231) as advertising costs. No advertising costs were reported as prepaid assets as of March 31, 2008.

Concentrations of Credit

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company holds deposits with financial institutions at times in excess of federally insured limits. The Company minimizes this risk by placing its deposits with high quality financial institutions. The Company's trade receivables primarily consist of accounts with retailers, both foreign and domestic. Under the terms of the Company's sales and credit policy, accounts receivable terms are routinely extended for periods of up to 180 days. The Company performs periodic evaluations of these receivables and provides for losses accordingly.

The Company's holdings in gold and the gold lease obligation are subject to market risk from fluctuations in the gold commodities market. Market risk is directly impacted by the volatility and liquidity in the markets in which commodities are traded. The Company minimizes its market risk through its gold lease arrangements and through pricing arrangements with its customers.

During the year ending March 31, 2008, the Company purchased 34% of their inventory from three suppliers. Payables to these suppliers totaled \$2,334,976 (INR 9,36,55,887) at March 31, 2008.

(Exchange rate used for translation 1 US\$ = INR 40.11)



Note 2 - Accounts Receivable

Receivables consisted of the following at March 31, 2008:

	US\$	INR
Trade accounts receivable	12,946,352	51,92,78,179
Commissions receivable, net	657,440	2,63,69,918
Other	155,743	62,46,852
	<u>13,759,535</u>	<u>55,18,94,949</u>
Less: allowance for doubtful accounts	(516,801)	(2,07,28,888)
	<u>13,242,734</u>	<u>53,11,66,061</u>

The Company has recorded an allowance provision of \$250,000 (INR 1,00,27,500) against the commission receivable as of March 31, 2008, for commissions due on estimated returns to manufacturers (see Note 1).

The Company recognizes interest income on outstanding trade receivables on a cash basis. The interest income that is charged to customers is based on the terms of the customer contract.

Note 3 - Inventory

Inventory consisted of the following at March 31, 2008:

	US\$	INR
Raw materials	685,987	2,75,14,939
Work in process	1,255,519	5,03,58,867
Finished goods	17,317,797	69,46,16,838
	<u>19,259,303</u>	<u>77,24,90,644</u>

Note 4 - Equipment And Improvements

Equipment and improvements consisted of the following at March 31, 2008:

	US\$	INR
Leasehold improvements	757,144	3,03,69,046
Equipment	1,763,734	7,07,43,371
Automobiles	191,658	76,87,402
	<u>2,712,536</u>	<u>10,87,99,819</u>
Less: accumulated depreciation and amortization	(2,124,550)	(8,52,15,701)
	<u>587,986</u>	<u>2,35,84,118</u>

(Exchange rate used for translation 1 US\$ = INR 40.11)

Note 5 - Income Taxes

The provision for income taxes includes the following at March 31, 2008:

Current Tax Benefit:

	US\$	INR
Federal	294,768	1,18,23,144
State and Local	20,434	8,19,608
	<u>315,202</u>	<u>1,26,42,752</u>
Deferred Tax Expenses	(124,819)	(50,06,490)
Net Benefit	190,383	76,36,262

The main elements contributing to the difference between the Company's overall expected tax expense / rate and the effective tax expense / rate for continuing operations are as follows:

	US\$	INR	
Loss before tax	(613,200)	(2,45,95,452)	
Expected tax benefit / rate	208,488	83,62,454	34.00%
Effect of taxes on items not tax-deductible	(30,532)	(12,24,639)	-4.98%
Effect of State and local taxes	12,427	4,98,447	2.03%
Effective tax benefit / rate	190,383	76,36,262	31.05%

The following summarizes the deferred tax liability at March 31, 2008:

	Noncurrent US\$	INR
Accounts receivable	278,786	1,11,82,106
Inventory	(1,903,556)	(7,63,51,631)
Prepaid expenses	(20,926)	(8,39,342)
Accrued liabilities	586,777	2,35,35,625
Deferred gain on sale-leaseback	217,524	87,24,888
Equipment and improvements	131,534	52,75,829
	<u>(709,861)</u>	<u>(2,84,72,525)</u>

Deferred tax assets and liabilities result primarily from the use of different inventory costing methods for U.S. GAAP basis and tax purposes, differences in depreciation methods, changes in various allowance and accrued expense accounts which are not deductible for tax purposes and from the gain on a sale-leaseback transaction recognized for tax purposes and deferred for book purposes.

Management reviews the deferred tax assets resulting from temporary tax differences on an annual basis to determine the need for a valuation allowance. During the year ending March 31, 2008, the Company evaluated the source of deferred tax assets, the Company's recent ability to generate taxable income and the likelihood of ongoing taxable income from operations and determined that no reserve against the deferred tax assets was necessary.

Note 6 - Line of Credit

The company has a loan agreement with Bank of America, which provides for a secured line of credit of up to \$6,000,000 (INR 24,06,60,000) from March 8, 2007 through June 30, 2007, \$9,500,000 (INR 38,10,45,000) from July 1, 2007 through November 12, 2007, \$10,000,000 (INR 40,11,00,000) from November 13, 2007 through January 31, 2008, \$6,000,000 (INR 24,06,60,000) from February 1, 2008 through February 11, 2008, and \$7,500,000 (INR 30,08,25,000) from February 12, 2008 through June 30, 2008. A portion of this loan is allocated to the issuance of a standby letter of credit of up to \$5,000,000 (INR 20,05,50,000). This line of credit is secured by accounts receivable and inventory. The letter of credit expires June 30, 2008.

The loan agreement is available for operating needs and bears interest at the bank's prime rate less 1%. The prime rate was 5.25% at March 31, 2008. The outstanding balance on the line of credit at March 31, 2008 was \$1,000,000 (INR 4,01,10,000). The credit agreement contains certain financial covenants that the Company must adhere to, including a minimum tangible net worth calculation, and is subject to other matters.

Note 7 - Stock Transactions

Sale of Stock

On May 7, 2007, the Company's shareholders agreed to sell 100% of the Company's issued and outstanding voting preferred stock and approximately 84.4% of the Company's issued and outstanding non-voting common stock to Astral Holdings, Inc. (a wholly-owned subsidiary of Shrenuj & Company, Limited) for cash. The fair market value of the stock purchase transaction will be reported on the books of Astral Holdings, Inc.

Retention Bonus

Upon closing of the sale of Company stock, the Company established an employee retention bonus plan requiring payment of a bonus in the amount of \$2,904,000 (INR 11,64,79,440) to employees specified by the plan. Employees must be employed on the anniversary of the sale of Company stock to receive the retention bonus. The bonus is to be paid in three annual installments as follows:

	US\$	INR
May 2007	997,000	3,99,89,670
May 2008	728,000	2,92,00,080
May 2009	1,179,000	4,72,89,690
	<u>2,904,000</u>	<u>11,64,79,440</u>

The first payment was made within 30 days of the closing of the sale of Company stock to Astral Holdings, Inc. and is included in Other Expense on the Statement of Operations. Approximately \$1,069,000 (INR 4,28,77,590) of the scheduled bonus payments for 2008 and 2009 were accrued at March 31, 2008 and included in Other Expense on the Statement of Operations.

(Exchange rate used for translation 1 US\$ = INR 40.11)

Note 7 - Continued

Contributions - As part of the stock purchase agreement, Astral Holdings, Inc. contributed \$1,573,271 (INR 6,31,03,900) in cash to pay the 2007 employee retention bonus and related payroll taxes and to fund a loan to a related party in the amount of \$500,000 (INR 2,00,55,000) (Note 10). Astral Holdings, Inc. contributed an additional \$728,000 (INR 2,92,00,080) in May 2008 to fund the second installment of the retention bonus.

Note 8 - Commitments And Contingencies

The Company has non-cancelable operating leases for facilities and equipment. Future minimum payments as of March 31, 2008 under operating leases are as follows:

	Total	
	US\$	INR
2009	541,944	2,17,37,374
2010	530,612	2,12,82,847
2011	531,572	2,13,21,353
2012	531,835	2,13,31,902
2013	128,345	51,47,918
Thereafter	15,600	6,25,716
	<u>2,279,908</u>	<u>9,14,47,110</u>

Total rental expense incurred during the year ending March 31, 2008 was \$533,992 (INR 2,14,18,419)

Employment Agreements

On May 7, 2007, the Company signed employment contracts with four key employees with terms of 5 to 6 years. The agreements specify the employee's annual compensation, benefits, and severance payments. Payments to the employee under the terms of the contract are contingent upon the continuing employment of the employees by the Company.

Note 9 - Employee Benefit Plan

The Company has a pension plan which covers substantially all employees. The plan allows for employee 401 (k) deferral contributions, employer matching contributions, and a discretionary profit sharing contribution. The employer matching contribution is calculated and funded on the final day of the calendar year-end. Employees must be employed on the last day of the plan year in order to be eligible for the match. The Company recognized \$83,197 (INR 33,37,032) in expense for the employer 401(k) match for the year ending March 31, 2008. For the year ending March, 31, 2008, the Company did not elect to make a discretionary profit sharing contribution and no employer matching contributions were funded during this time. The Company paid administrative expenses of \$2,853 (INR 1,14,434) for the plan during the year ending March 31, 2008.

Note 10 - Related Party Transactions

On October 1, 2005, the Company made a loan to an employee in the amount of \$100,000 (INR 40,11,000). The loan bears interest at 5% per annum and accrued interest is payable on a monthly basis. The principal balance is due in full on October 1, 2015 unless the employee terminates prior to that time. If the employee terminates prior to the expiration date of the loan, the full balance of the note along with any accrued interest at the date of

termination is due immediately. The balance on the note was \$80,000 (INR 32,08,800) at March 31, 2008.

On May 9, 2007, the Company made a loan to an employee in the amount of \$500,000 (INR 2,00,55,000). The loan bears interest at 4.62% per annum and accrued interest is payable annually on March 31. The principal balance is due in full on April 30, 2014 unless the employee sells any of their shares of Company stock. If the employee sells any of their shares, the full balance of the note along with any accrued interest is due immediately. The balance on the note was \$500,000 (INR 2,00,55,000) at March 31, 2008.

The Company sells inventory on commission for Shrenuj & Company Ltd. (Shrenuj), owner of Astral Holdings, Inc, the majority owner of the Company. The Company also purchases inventory from Shrenuj. Total commissions earned for the year ended March 31, 2008 were \$457,778 (INR 1,83,61,476). Total commissions receivable from Shrenuj at March 31, 2008 were \$84,662 (INR 33,95,793). For the year ended March 31, 2008 the Company purchased \$154,376 (INR 61,92,021) in inventory from Shrenuj. At March 31, 2008, amounts due to Shrenuj totaled \$82,789 (INR 33,20,667).

The Company provides management services for Shrenuj USA, LLC (Shrenuj USA), a wholly owned subsidiary of Shrenuj, owner of Astral Holdings, Inc., the majority owner of the Company. The agreement provides management fees of \$12,000 (INR 4,81,320) per month. The Company also paid start-up costs for and provided operating capital to Shrenuj USA. Total management fees earned by the Company for the year ended March 31, 2008 were \$12,000 (INR 4,81,320). Total start-up costs and operating capital provided by the Company to Shrenuj USA for the year ending March 31, 2008 totaled \$50,000 (INR 20,05,500) and \$100,000 (INR 40,11,000), respectively. At March 31, 2008, total amounts due from Shrenuj USA for management fees, start-up costs, and operating capital totaled \$161,768 (INR 64,88,514).

The Company purchases inventory from and sells inventory in exchange for commission from Shrenuj USA. For the year ended March 31, 2008, total inventory purchased by the Company from Shrenuj USA totaled \$487,302 (INR 1,95,45,683). For the year ended March 31, 2008, total commissions earned by the Company totaled \$98,379 (INR 39,45,982). At March 31, 2008, amounts due to Shrenuj USA for inventory purchased and amounts due from Shrenuj USA for commissions earned totaled \$29,023 (INR 11,64,113) and \$18,194 (INR 7,29,761), respectively.

The Company purchases inventory from and sells inventory to Shrenuj Diajewels Ltd. (Shrenuj Diajewels), a wholly owned subsidiary of Shrenuj, owner of Astral Holdings, Inc., the majority owner of the Company. For the year ended March 31, 2008 the Company purchased inventory from and sold inventory to Shrenuj Diajewels of \$282,201 (INR 1,13,19,082) and \$118,474 (INR 47,51,992), respectively. At March 31, 2008, amounts due to and due from Shrenuj Diajewels totaled \$209,820 (INR 84,15,880) and \$74,329 (INR 29,81,336), respectively.

Note 11 - Sale-Leaseback Transaction

During 2005, the Company entered into a sale-leaseback arrangement relating to its operating facility. The Company was a 25% general partner in the partnership which sold the facility in 2005. Following the sale, the Company leased back the property under a ten year operating lease that requires monthly lease payments in the amount of \$40,000 (INR 16,04,400). The Company accounted for the arrangement under the full accrual method. Accordingly, the deferred gain of \$1,147,921 (INR 4,60,43,111) is being amortized and recognized over the term of the lease. A gain in the amount of \$118,750 (INR 47,63,063) is reported under Other Income in the Statement of Operations for the year ending March 31, 2008.

(Exchange rate used for translation 1 US\$ = INR 40.11)

Shrenuj & Company Limited

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