SHRENUJ & COMPANY LIMITED

(Reports and Accounts of Subsidiary Companies)

Financial Year

2006-2007

Contents
Reports and Accounts of :

DIRECTORS' REPORT

To the Members,
ADITI DIAMIMPEX TRADING & MANUFACTURING COMPANY LIMITED
Your Directors have pleasure in presenting the EIGHTEENTH ANNUAL REPORT and the audited accounts for the financial year ended 31st March, 2007.

FINANCIAL RESULTS:

	Year ended 31/03/2007 (Rs. in Lacs)	31/03/2006 (Rs. in Lacs)
Profit before Taxation	353.68	388.69
Less : Provision for Taxation	20.00	14.00
Short Provision for Income Tax for earlier years	-	3.00
Provision for Fringe Benefit Tax	2.00	2.00
Provision for Deferred Tax	23.07	7.07
Profit after Taxation	308.61	362.62
Add : Balance brought forward from previous year	371.74	9.12
Balance carried to Balance Sheet	680.35	371.74

OPERATIONS:

Despite stiff competition, the Company's performance was satisfactory with rise in sales by 12% to Rs.50.99 Crores (Previous year 45.57 Crores) and Profit after tax was Rs.3.09 Crores (Previous year Rs.3.63 Crores). 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.

INCREASE IN AUTHORISED CAPITAL:

In order to issue further shares to the holding company viz. Shrenuj & Company Limited, the Company has increased its Authorised Share Capital from Rs.1 Crores to Rs.4 Crores at the extra ordinary general meeting held on 28th February, 2007 and accordingly altered the capital clause of Memorandum and Articles of Association of the Company.

FURTHER ISSUE OF SHARES:

Shrenuj & Company Limited, a holding company has given an unsecured loan of Rs.6.68 Crores to the Company. During the year the part of the loan amounting to Rs.3.95 Crores has been converted into equity capital of the Company and accordingly 39,50,000 equity shares of Rs.10/- each were issued/allotted to Shrenuj & Company Limited on 31st March, 2007.

CHANGE OF NAME:

Shrenuj & Company Limited, a holding company and the Company are in the same line of business. In view to achieve identity in the global market the word "Shrenuj" needs to be used as a part of the Company's name. This will be beneficial for the Company for expanding its operations in overseas markets. As the word "Shrenuj" has been well recognized in gems & jewellery industry all over the world, by incorporating the word "Shrenuj" in its name the Company will get the benefit of the goodwill and image established by Shrenuj & Company Limited, the holding company during the last three decades.

The Company has passed the resolution under Section 21 of the Companies Act, 1956 for change of name from "Aditi Diamimpex Trading & Manufacturing Company Limited" to "Shrenuj Diajewels Limited" at the extra ordinary general meeting held on 11th June, 2007. The necessary documents for change of name have been submitted with the Registrar of Companies, Maharashtra, Mumbai for their approval.

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 Kirtilal K. 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:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) 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, 2007 and of the profits of the Company for that year;

(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.

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 wish 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 thank the Banks and its customers for their support throughout the year.

For and on behalf of the Board

KIRTILAL K. DOSHI
CHAIRMAN

Place : Mumbai
Date : 5th July, 2007.

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, Adaptation 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.50.37 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. 5037.02 Lacs
Foreign Exchange Used	Rs. 3256.92 Lacs

REPORT OF AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **ADITI DIAMIMPEX TRADING AND MANUFACTURING COMPANY LIMITED** as at 31st March 2007 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 by this report 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 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 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 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, 2007; 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
MUMBAI: 5th July, 2007 **MEMBERSHIP NO. 11532**

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date on the accounts of **ADITI DIAMIMPEX TRADING AND MANUFACTURING COMPANY LIMITED** for the year ended 31st March, 2007)

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, paragraphs 4(iii) (b), (c) and (d) of the Order 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. 154,227,885/- and the year-end balance of loans taken was Rs. 27,256,162/-.
   (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.
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, 2007 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
MUMBAI: 5th July, 2007 **MEMBERSHIP NO. 11532**

BALANCE SHEET AS AT 31ST MARCH, 2007.

	Schedule		31st March, 2007 (Rs.)		31st March, 2006 (Rs.)
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	A	**40,000,000**		500,000	
Reserves and Surplus	B	**68,035,838**		37,174,404	
			108,035,838		37,674,404
Loan Funds					
Secured Loans	C	**167,980,617**		83,741,568	
Unsecured Loans	D	**27,256,162**		64,181,800	
			195,236,779		147,923,368
Deferred Tax Liability	E		**5,309,245**		3,002,452
			308,581,862		188,600,224
APPLICATION OF FUNDS					
Fixed Assets	F				
Gross Block		**123,271,914**		44,401,495	
Less : Depreciation		**6,816,657**		3,842,034	
Net Block			**116,455,257**		40,559,461
Current Assets, Loans and Advances :	G				
Inventories		**169,701,016**		124,557,593	
Sundry Debtors		**258,523,753**		214,378,608	
Cash & Bank Balances		**1,809,261**		1,464,574	
		430,034,030		340,400,775	
Loans & Advances		**10,348,158**		4,998,574	
		440,382,188		345,399,349	
Less:Current Liabilities and Provisions :	H				
Current Liabilities		**243,936,423**		195,399,123	
Provisions		**4,319,160**		1,959,463	
		248,255,583		197,358,586	
Net Current Assets			**192,126,605**		148,040,763
			308,581,862		188,600,224
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

P.S. DOSHI
Proprietor

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 5th July, 2007

MUMBAI.
Dated : 5th July, 2007

PROFIT & LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2007.

	Schedule		31st March, 2007 (Rs.)		31st March, 2006 (Rs.)
INCOME					
Sales and Services	I	**509,853,867**		455,743,955	
Other Income	J	**9,328,690**		250	
			519,182,557		455,744,205
EXPENDITURE					
Material Cost	K	**397,651,233**		365,125,339	
Manufacturing and Other Expenses	L	**71,935,527**		44,786,404	
Interest	M	**11,252,947**		4,524,859	
Depreciation		**2,974,623**		2,438,374	
			483,814,330		416,874,976
Profit Before Taxation			**35,368,227**		38,869,229
Less:Provision for Income Tax			**2,000,000**		1,400,000
Less: Short Provision for Income Tax for Earlier Years			**-**		300,000
Less:Provision for Fringe Benefit Tax			**200,000**		200,000
Less:Provision for Deffered Tax (Net)			**2,306,793**		706,705
Profit after Taxation			**30,861,434**		36,262,524
Add: Balance Brought forward			**37,174,404**		911,880
Balance carried to Balance Sheet			**68,035,838**		37,174,404
Earning per share (basic & diluted) Rs.			**7.71**		725.24
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

P.S. DOSHI
Proprietor

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 5th July, 2007

MUMBAI.
Dated : 5th July, 2007

CASH FLOW STATEMENT

Particulars		2006-2007 (Rs.)		2005-2006 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax and after extraordinary items		**35,368,227**		38,869,229
Adjustments for :				
Depreciation	**2,974,623**		2,438,374	
Provision for Leave Encashment	**159,697**		51,264	
Interest Expenses (Net)	**11,252,947**		4,524,859	
Effects of exchange rate change	**(754,681)**	**13,632,586**	557,646	7,572,144
Operating Profit before working capital changes		**49,000,812**		46,441,373
Adjustments for:				
Trade and Other receivables		**(53,741,474)**		(154,039,515)
Inventories		**(45,143,423)**		(70,625,341)
Trade Payables		**51,210,762**		128,421,917
Cash generated from operations		**1,326,678**		(49,801,566)
Direct Taxes paid		**(1,101,888)**		(2,126,002)
Net Cash used in Operating Activities		**224,790**		(51,927,568)
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets		**(78,870,419)**		(2,619,555)
Purchase of Investments		–		–
Sale of fixed assets		–		–
Sale of Investments		–		–
Net Cash used in investing activities		**(78,870,419)**		(2,619,555)
C. CASH FLOW FROM FINANCE ACTIVITIES:				
Proceeds from Issue of Shares		**39,500,000**		-
Increase in Secured Borrowings from Banks		**84,239,050**		44,007,636
Increase/(Decrease) in Unsecured borrowings		**(36,925,638)**		12,497,000
Interest Paid (Net)		**(11,252,947)**		(4,524,859)
Effects of exchange rate change		**3,429,851**		(363,826)
Net Cash from financing activities		**78,990,316**		51,615,950
Net increase in cash and cash equivalents (A+B+C)		**344,687**		(2,931,173)
Opening Balance of Cash and Cash equivalent		**1,464,574**		4,395,747
Closing Balance of Cash and Cash equivalent		**1,809,261**		1,464,574

Notes to Cash Flow Statement for the year ended 31st March, 2007

Particulars	2006-2007 (Rs.)	2005-2006 (Rs.)
Cash and Cash Equivalents Include:		
Cash and Bank Balance	801831	1696481
Unrealised Gain/(Loss) on froreign currency Cash and Cash equivalents	1,007,430	-231907
Total Cash and Cash Equivalent	**1809261**	**1464574**

As per our Report of even date
For **PRAKASH S. DOSHI & COMPANY**
Chartered Accountants

P.S. DOSHI
Proprietor

MUMBAI.
Dated : 5th July, 2007

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 5th July, 2007

SCHEDULE 'A' TO 'N' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

		31st March, 2007 (Rs.)		31st March, 2006 (Rs.)
SCHEDULE 'A' - Share Capital				
Authorised				
40,00,000 (10,00,000) Equity Shares of Rs. 10 each		**40,000,000**		10,000,000
Issued,Subscribed :				
40,00,000 (50,000) Equity Shares of Rs. 10 each		**40,000,000**		500,000
[The above shares are held by Shrenuj & Company Limted, the Holding Company]				
SCHEDULE 'B' - Reserves and Surplus				
Surplus as per Profit and Loss Account		**68,035,838**		37,174,404
		68,035,838		37,174,404
SCHEDULE 'C' - Secured Loans				
Term Loan from Bank		**51,198,600**		14,511,452
Working Capital Loan from Bank		**116,782,017**		69,230,116
		167,980,617		83,741,568

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.16912108/- (Previous year Rs.4448000/-)

		31st March, 2007 (Rs.)		31st March, 2006 (Rs.)
SCHEDULE 'D' - Unsecured Loans				
From SHRENUJ & COMPANY LIMITED (Holding Company)		**27,256,162**		64,181,800
		27,256,162		64,181,800
SCHEDULE 'E' - Deferred Tax Liability				
Deferred Tax Assets & Liability are attributable to the follwing Items:				
Laibility				
Depreciation	**5,363,000**		3,022,467	
Assets				
Provision of Leave	**(53,755)**	**5,309,245**	(20,015)	3,002,452
		5,309,245		3,002,452

SCHEDULE 'F' - Fixed Assets **(Amount in Rupees)**

Particualrs	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As At 01.04.2006	Addition	Deduction/ Adjustment	**As At 31.03.2007**	Up to 01.04.2006	For the Year	Deduction	**Up to 31.03.2007**	**As At 31.03.2007**	As At 31.03.2006
Factory Premises (Leasehold)	8,366,346	62,964,292	-	71,330,638	452,456	337,053	-	789,509	70,541,129	7,913,890
Plant & Machinery	13,893,601	1,387,057	-	15,280,658	905,497	709,147	-	1,614,644	13,666,014	12,988,104
Electrical Installations	3,081,634	1,160,821	-	4,242,455	235,191	156,706	-	391,897	3,850,558	2,846,443
Air Conditioner	1,390,929	978,000	-	2,368,929	106,978	67,690	-	174,668	2,194,261	1,283,951
Office Equipments	2,782,773	876,033	-	3,658,806	236,486	161,841	-	398,327	3,260,479	2,546,287
Computers	2,742,503	2,795,969	-	5,538,472	667,845	573,079	-	1,240,924	4,297,548	2,074,658
Furniture & Fixtures	12,085,277	7,540,448	-	19,625,725	1,221,667	893,359	-	2,115,026	17,510,699	10,863,610
Vehicles	-	1,167,799	-	1,167,799	-	64,062	-	64,062	1,103,737	-
Intangible-Software	58,432	-	-	58,432	15,914	11,686	-	27,600	30,832	42,518
Total...........	**44,401,495**	**78,870,419**	**-**	**123,271,914**	**3,842,034**	**2,974,623**	**-**	**6,816,657**	**116,455,257**	**40,559,461**
Previous Year........	41,658,485	2,743,010	-	44,401,495	1,403,660	2,438,374	-	3,842,034	40,559,461	40,254,825

		31st March, 2007 (Rs.)		31st March, 2006 (Rs.)
SCHEDULE 'G' - Current Assets, Loans and Advances				
A. Current Assets				
Inventories				
(As taken,valued and certified by the Management)				
Stores, Spares and Tools	1,413,222		1,420,787	
Raw Materials	163,197,899		105,732,846	
Finished Goods	5,089,895		17,403,960	
		169,701,016		124,557,593
Sundry Debtors				
(Unsecured, Considered good)				
Exceeding six months	36,320,068		110,516,826	
Others	222,203,685		103,861,782	
		258,523,753		214,378,608
Cash and Bank Balances				
Cash on hand	257,833		26,940	
Balance with Schedule Banks				
In Current Accounts	937,130		851,557	
In Fixed Deposits	614,298		586,077	
		1,809,261		1,464,574
		430,034,030		340,400,775
B. Loans & Advances				
(Unsecured,Considered good)				
Advance for Raw Material	759,972		67,680	
Advance recoverable in cash or in kind or for value to be received	6,348,969		2,793,565	
Advance Taxes	3,239,217		2,137,329	
		10,348,158		4,998,574
		440,382,188		345,399,349
SCHEDULE 'H' - Current Liabilities and Provisions				
A. Current Liabilities				
Sundry Creditors		240,223,088		193,142,708
Other Liabilities		2,937,865		1,846,215
Bank Balance (with Scheduled bank in current a/c. as per books of a/c. only)		775,470		410,200
		243,936,423		195,399,123
B. Provisions				
Provision for Leave Encashment		219,160		59,463
Provision for Fringe Benefit Taxation		400,000		200,000
Provision for Taxation		3,700,000		1,700,000
		4,319,160		1,959,463
SCHEDULE 'I' - Sales and Services				
Sales		509,853,867		455,743,955
		509,853,867		455,743,955
SCHEDULE 'J' - Other Income				
Rent (Gross) (Tax Deducted at Source Rs.297873/- Previous Year Rs.NIL)		1,417,420		-
Miscellaneous Income		7,911,270		250
		9,328,690		250
SCHEDULE 'K' - Material Cost				
(a) Raw Materials Consumed				
Stock at Commencement	105,732,846		46,621,635	
Add : Purchases	446,979,069		444,370,781	
		552,711,915		490,992,416
Less: Sale of Raw Materials	3,707,774		9,259,633	
Stock at Close	163,197,899		105,732,846	
		166,905,673		114,992,479
		385,806,242		375,999,937
Less: Goods Lost in Transit		1,551,525		–
		384,254,717		375,999,937
(b) Purchase of Finished Goods		1,082,451		546,482
(c) Variation in Stock of Finished Goods				
Stock at Commencement	17,403,960		5,982,880	
Less : Stock at Close	5,089,895	12,314,065	17,403,960	(11,421,080)
		397,651,233		365,125,339

	31st March, 2007 (Rs.)	31st March, 2006 (Rs.)
SCHEDULE 'L' - Manufacturing & Other Expenses		
Manufacturing Expenses		
Stores & Spares Consumed	5,371,384	5,218,167
Power & Fuel	2,257,765	1,744,822
Water Charges	197,990	148,769
Design Charges	2,920,264	1,230,879
Rent	839,227	698,544
Rates & Taxes	128,040	76,440
Machinery Repairs	10,200	31,599
Other Manufaturing Expenses	29,908,391	18,778,962
	41,633,261	27,928,181
Employees' Emoluments		
Salaries,Wages,Gratuity,Bonus ect	12,497,931	3,422,775
Contribution to Provident and Other Funds	758,006	252,224
Welfare Expenses	2,183,843	763,256
	15,439,780	4,438,255
Selling & Distribution Expenses		
Airfreight & Forwarding Charges	2,142,414	1,604,122
Entertainment Exp	45,869	-
Export Commission	1,216,278	2,337,999
Exhibition Expenses	-	14,488
	3,404,561	3,956,609
Other Expenses		
Insurance	483,364	333,259
Other Repairs	1,410,608	913,391
Legal & Professional Charges	1,469,486	938,358
Travelling,conveyance & Vehical Expenses	3,181,936	3,111,227
Miscellaneous Expenses	4,837,031	2,991,023
Donation	500	100
Remuneration to Auditors	75,000	176,000
	11,457,925	8,463,359
	71,935,527	44,786,404
SCHEDULE 'M' - Interest		
Bank Interest on Term Loan	1,275,014	1,193,859
Other Bank Interest	8,397,534	3,176,927
Interest Others	1,624,798	188,202
Interest Received (Gross) (Tax Deducted at Source Rs.9967/- Previous Year Rs.7659/-)	(44,399)	(34,129)
	11,252,947	4,524,859

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

i. Transactions in foreign currency (if not covered by forward contracts) are accounted for at exchange rate prevailing on the transaction date.

ii. Current assets/liabilities in foreign currency are reinstated at exchange rate prevailing on the Balance Sheet date.

iii. 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.

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. Retirement benefits and Leave Wages

a. Company's contribution to Provident/Pension Funds is charged to Profit & Loss Account.

b. Gratuity is accounted on cash basis.
c. Provision for leave encashment is made on the basis of actuarial valuation at the end of year and charged to Profit & 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.
ii. 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	2006-07 (Rs.)	2005-06 (Rs.)
Shrenuj & Company Ltd.	5077235	5168572
Shrenuj DMCC	327378	49648
Shrenuj USA	2727715	19285694
Shrenuj Japan Corporation	513452	-
C & A Diamond International USA	59144657	120219716
Daily Jewellery Ltd.	46258577	-
Astral GMBH	41009099	-
Astral Australia Pty. Ltd.	4005398	-
SHL Gem & Jewelry Pvt. Ltd	428298	-

4. Foreign Currency transaction gains aggregating Rs.4776898 (net) (Previous year Rs.-970084) 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	2006-07 (Rs.)	2005-06 (Rs.)
Audit Fees	45000	25000
Tax Audit Fees	20000	15000
Taxation Matter	10000	6000
Certification Charges	-	5000
Others	-	125000
Total	**75000**	**176000**

6. Licensed and Installed Capacity and Production

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Studded Jewellery	Nos.	Not Applicable	Not Ascertainable	54350 (66311)

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

Class of Goods	Unit	Opening Stock Qty.	Opening Stock Value (Rs.)	Sales Qty.	Sales Value (Rs.)	Closing Stock Qty.	Closing Stock Value (Rs.)
Studded Jewellery	Nos	629 (1464)	17403960 (5982880)	54512 (67146)	508771416 (455197473)	467 (629)	5089895 (17403960)

b.) Details of Purchase and Sale of Trading Goods

Class of Goods	Unit	Opening Stock Qty.	Opening Stock Value (Rs.)	Purchases Qty.	Purchases Value (Rs.)	Sales Qty.	Sales Value (Rs.)	Closing Stock Qty.	Closing Stock Value (Rs.)
Studded Jewellery	Nos.	0 (0)	0 (0)	142 (135)	1082451 (546482)	142 (135)	1082451 (546482)	0 (0)	0 (0)

8. Details of Raw Material Consumption

Particulars	Unit	2006-07 Quantity	2006-07 Value (Rs.)	2005-06 Quantity	2005-06 Value (Rs.)
Polished Diamonds	Carats	18529.48	265405394	22577.66	255845668
Gold	Gms.	130429.73	116543029	167526.55	107481402
Precious, Semi precious & Synthetics Stones	Carats	15257.89	3295786	32157.98	7994342
Platinum	Gms.	305.54	287810	60.72	80577
Alloys, Etc.	Gms.	100128.96	4353244	116949.13	826357
Exchange Difference			-4228728		3715411
Clearing Charges			149707		56180
Total			**385806242**		**375999937**

9. Value of imported and indigenous consumption

	Particulars	2006-07 Value (Rs.)	2006-07 Percentage %	2005-06 Value (Rs.)	2005-06 Percentage %
A.	**Raw Materials:**				
	Directly Imported	50381586	13.06	154661206	41.13
	Indigenously Obtained	335424656	86.94	221338731	58.87
	Total	**385806242**	**100.00**	**375999937**	**100.00**
B.	**Stores & Spare Parts :**				
	Imported	2096171	39.02	2056986	39.42
	Indigenously Obtained	3275213	60.98	3161181	60.58
	Total	**5371384**	**100.00**	**5218167**	**100.00**

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

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Raw Materials	314997531	322479564
Capital Goods	880194	1415141
Stores & Spare Parts	2746243	2416099

11. Expenditure in Foreign Currency

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Export Commission	NIL	2337999
Foreign Travelling	2682050	NIL
Others	4385621	3703538

12. Earning in Foreign Exchange

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
FOB Value of Goods Exported	503702433	396983778
Design Charges	5441506	NIL

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, 2007 of Rs.2306793 [Previous Year Rs. 706705] 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:

Particulars		31-03-2007	31-03-2006
Profit after taxation	Rs.	30861434	36262524
Weighted average number of shares	Nos.	40,00,000	50,000
Earning per share (basic & diluted)	Rs.	7.71	725.94
Face value per share	Rs.	10.00	10.00

16. Related Party transactions:

As per the Directors

a. Parties where control exists:

Shrenuj & Co. Ltd.	Holding Company
S. N. Jewellery Pvt. Ltd.	Fellow Subsidiary
Daily Jewellery Limited	Fellow Subsidiary
Shrenuj Overseas Ltd.	Fellow Subsidiary
Lume Jewellery Ltd.	Fellow Subsidiary
Shrenuj DMCC	Fellow Subsidiary
Astral USA, INC	Fellow Subsidiary
Shrenuj (Mauritius) Pvt. Ltd.	Fellow Subsidiary
Astral Holdings Inc.	Fellow Subsidiary
Shrenuj Japan	Fellow Subsidiary
Shrenuj U.K. Ltd.	Fellow Subsidiary
Shrenuj (Jewellery Outsourcing) Limited	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
Burnet Holdings (Proprietory) Ltd.	Fellow Subsidiary
Astral Australia Pty Ltd.	Fellow Subsidiary
Lume Group AG	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd., China	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
Trapz, LLC

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:

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

S. No.	Particulars		Holding Company (Rs.)	Fellow Subsidiary (Rs.)	Associates (Rs.)
i.	Purchase of Materials / Finished Goods		95043261 (32812993)	95043261 (25330000)	50544 (0)
ii.	Sale of Materials / Finished Goods		10078124 (64680142)	261864660 (152756138)	1856207 (0)
iii.	Other Services Received		7673939 (2529932)	0 (3515496)	311487 (0)
iv.	Other Services Provided		998320 (0)	3142594 (0)	419100 (0)
v.	Goods Lying on Consignment		0 (0)	0 (7227739)	0 (0)
vi.	Interest Paid on ICD		686385 (0)	0 (0)	617205 (0)
vii.	Outstanding Receivable		5077235 (4447573)	153986276 (140276057)	428298 (0)
viii.	Outstanding Payable		87908262 (26455975)	26320315 (16720010)	5993510 (0)
ix.	**Intercorporate Deposits**	**Opening Balance**	**Received During the Year**	**Repaid During the Year**	**Closing Balance**
	Shrenuj & Company Ltd.	64181800 (52095000)	165484877 (23786800)	202410514 (11700000)	27256163 (64181800)
	Kiara Jewellery Pvt. Ltd.	0 (0)	22000000 (0)	22000000 (0)	0 (0)

17. Previous Year's figures have been re-grouped and/or re-arranged wherever necessary.

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

1. Registration Details

Registration No.	55723
State Code	11
Balance Sheet Date	31st March, 2007

2. Capital raised during the year

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	39500000

3. Position of Mobilisation and deployment of Funds

Total Liabilities	308581862
Total Assets	308581862

Sources of Funds:

Paid up Capital	40000000
Reserves & Surplus	68035838
Secured Loans	167980617
Unsecured Loans	27256162
Deferred Tax Liability	5309245

Application of Funds:

Net Fixed Assets	116455257
Investments	NIL
Net Current Assets	192126605
Misc. Expenditure	NIL

4. Performance of Company

Turnover	519182557
Total Expenditure	483814330
Profit Before Tax	35368227
Profit After Tax	30861434
Earning Per Share (Rs.)	7.71
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

P.S. DOSHI
Proprietor

MUMBAI.
Dated : 5th July, 2007

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 5th July, 2007

DIRECTORS' REPORT

To the Members,

SHRENUJ OVERSEAS LIMITED

Your Directors have pleasure in presenting the TWENTY FOURTH ANNUAL REPORT and the audited accounts of the Company for the period ended 31st March, 2007.

FINANCIAL RESULTS

	Year ended 31/03/2007 (Rs.)	31/03/2006 (Rs.)
Loss before Taxation	6,50,264	11,364
Less : Provision for Taxation	–	–
Loss for the year after taxation	6,50,264	11,364
Add: Balance of loss brought forward	64,616	53,252
Loss carried to Balance Sheet	7,14,880	64,616

OPERATIONS:

The Company has incurred a loss of Rs.6,50,264/- for the financial year ended 31st March, 2007. The Company had no manufacturing or business activity during the year under review.

DIVIDEND:

In view of losses, your Directors have not recommended any dividend.

INCREASE IN AUTHORISED CAPITAL:

In view of initiating various business activities in the Company and future expansion plans of the Company, the Members have increased the Authorised Share Capital of the Company from Rs.5 Lacs to Rs.3 Crores at their Extra Ordinary General Meeting held on 13th March, 2007 and accordingly altered the capital clause of Memorandum and Articles of Association of the Company.

CHANGE IN REGISTERED OFFICE ADDRESS:

During the year under review, for administrative convenience, registered office address of the Company was changed twice, firstly to Plot No. A-7, Road No.5, MIDC, Andheri – East, Mumbai – 400 093 on 13th March, 2007 and with effect from 1st April, 2007 to B-4, Sona Udyog Industrial Estate, Parsi Panchayat Road, Andheri – East, Mumbai – 400 069.

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.

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:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) 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, 2007 and of the loss of the Company for that year;

(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.

DIRECTORS:

Shri Kirtilal K. Doshi retires by rotation at the ensuing Annual General Meeting and he is eligible for re-appointment. Shri Nihar N. Parikh was appointed as an Additional Director of the Company with effect from 13th March, 2007 and Shri Suresh S. Vishwanath and Shri Apoorva P. Doshi resigned from the Board from the said date.

AUDITORS AND AUDITORS REPORT:

M/s. Lathi & Co., Chartered Accountants, hold office until conclusion of the ensuing Annual General Meeting. They have not sought re-appointment. Therefore, the Board of Directors proposes the appointment of M/s Prakash S. Doshi & Co., Chartered Accountants as the Auditors of the Company for the financial year 2007-08 till the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board of Directors in consultation with M/s Prakash S. Doshi & Co. The Directors recommend their appointment.

By Order of the Board

KIRTILAL KALIDAS DOSHI
CHAIRMAN

Mumbai, 4th July, 2007.

Registered Office: B-4, Sona Udyog Industrial Estate,
Parsi Panchayat Road,
Andheri – East,
Mumbai – 400 069.

AUDITOR'S REPORT

To the Members of

SHRENUJ OVERSEAS LIMITED

We have audited the annexed Balance Sheet of SHRENUJ OVERSEAS LIMITED, Mumbai as at March 31 2007 and the Profit and Loss Account of the Company Annexed thereto and the cash flow statement for the year ended on that date. 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.

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 misstatements. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the managements, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 of the Companies Act, 1956 we give in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order on the basis of such checks as we considered appropriate and as per the information and explanation given to us.

3) Further to our comments in the Annexure referred to in Paragraph 2 above, we state that :

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books;

   c) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts;

   d) In our opinion and to the best of our information and according to the explanations given to, the Balance Sheet and Profit and Loss Account dealt with by report are prepared in compliance of the applicable Accounting Standard referred to Section 211(3) (c) of the Companies Act, 1956;

   e) On the basis of the written representation received from the Directors and taken on record by the Board of Directors, none of the directors of the company is disqualified as on 31st of March, 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 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 Balance Sheet and Profit and Loss Account read together with significant accounting policies and other notes thereon, give the information required by The Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India :

      i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at March 31st, 2007;

      ii) In so far as it relates to the Profit and Loss Account of the Loss of the company for the year ended on that date; and

      iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For Lathi & Co.
Chartered Accountants

Place : Mumbai
Date : 4th July, 2007

Dipen Lathi
Proprietor

ANNEXURE TO AUDITORS REPORT
(REFERRED TO IN PARAGRAPH I THEROF)

1. Based on our scrutiny of the company's books of account and other records and according to information and explanations received by us from the management, the company had no fixed assets as on March 31, 2007 nor at any time during the financial year ended March 31, 2007.
2. As the company has no stocks, the requirement of reporting on physical verification of stocks or maintenance of inventory records, in our opinion, does not arise.
3. The company has neither taken or granted any loans or advances in the nature of loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, the question of reporting upon the terms and conditions does not arise.
4. As reported in No.1 above, the company had no fixed assets as on March 31, 2007 nor at any time during the financial year ended March 31, 2007 hence the question of reporting on any weakness in the internal control with regard to purchase of fixed assets does not arise.
5. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there were no transactions during the year that needed to be entered in the register maintained under section 301 of the Companies Act, 1956.
6. Based on our scrutiny of the company's records and according to information and explanations provided by the management, in our opinion, the company has not accepted any public deposits so far up to March 31, 2007.
7. No comment on the internal audit system is required since the paid up capital reserves or the average annual turnover has not exceeded the prescribed limits.
8. According to information and explanations provided by the management, for the financial year ended March 31, 2007, the company is not required to maintain cost records under section 209(1) (d).
9. According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues applicable to it. There are no undisputed amounts outstanding as at March 31, 2007 for a period of more than six months from which they became payable. Nor are there any dues which have not been deposited on account of any dispute.
10. The accumulated losses of the company have exceeded fifty percent of its net worth as at March 31, 2007. The company has incurred a cash loss of Rs.6,50,264/- during the financial year ended March 31, 2007 and a cash loss of Rs.11,364/- in the financial year ended March 31, 2006. In arriving at the accumulated losses and net worth as above, we have considered the qualifications which are quantifiable in the audit reports of the years to which these losses pertain.
11. According to the records of the company, the company has not borrowed from financial institutions or banks or issued debentures till March 31, 2007. Hence the question of reporting on defaults in repayment of dues to financial institutions, banks or debenture holders does not arise.
12. According to the records of the company, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion and to the best of our information and according to information and explanations provided by the management, we are of the opinion that the company is neither a chit fund nor a nidhi/mutual benefit society. Hence, in our opinion, the requirements of Para 4 (xiii) of the order do not apply to the company.
14. As per the records of the company, the company is not dealing or trading in shares, securities, and debentures and other investments.
15. As per the records of the company and the information and explanations provided by the management, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the records of the company, the company has not obtained any term loans. Hence, comments under this clause are not called for.
17. According to the information and explanations given to us and based on overall examination of the balance sheet of the company as at March 31, 2007, we report that no funds raised on short-term basis have been used for long-term investment by the company.
18. The company has not made any preferential allotment of shares to parties and companies covered under section 301 of the Act.
19. According to the records of the company, the company has not issued any debentures.
20. The company has not raised any money by public issues during the period covered by our audit report.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Lathi & Co.
Chartered Accountants

Place : Mumbai
Date : 4th July, 2007

Dipen Lathi
Proprietor

BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	31st March, 2007 (Rupees)	31st March, 2006 (Rupees)
SHARE CAPITAL	A	**500,000**	500,000
RESERVES & SURPLUS	B	**19,000**	19,000
Total		**519,000**	519,000
CURRENT ASSETS, LOANS & ADVANCES	C		
Net current assets:			
Cash & Bank Balances		**155,129**	462,135
Less: CURRENT LIABILITIES & PROVISIONS	D		
Current Liabilities		**351,009**	7,750
		(195,880)	454,385
Profit & Loss Account		**714,880**	64,615
Total		**519,000**	519,000
Notes forming parts of the accounts	G		

As per our report of even date
For LATHI & CO.
CHARTERED ACCOUNTANTS

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

DIPEN N. LATHI
Proprietor
Membership No. 48516

MUMBAI : 4th July, 2007

MUMBAI : 4th July, 2007

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

	SCHEDULE		Year Ended 31/03/07 (Rupees)		Year Ended 31/03/06 (Rupees)
INCOME			Nil		Nil
Total			-		-
EXPENDITURE					
Payment to Employees	E	341,568	-		
Other Expenses	F	308,696		11,364	
Total			**650,264**		11,364
PROFIT BEFORE TAXATION			**(650,264)**		(11,364)
Less: Provision for Income Tax			-		
PROFIT AFTER TAXATION			**(650,264)**		(11,364)
Add: Balance Brought Forward			**(64,616)**		(53,252)
Balance Carried to Balance Sheet			**(714,880)**		(64,616)
Notes forming parts of the accounts	G				

As per our report of even date
For LATHI & CO.
CHARTERED ACCOUNTANTS

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

DIPEN N. LATHI
Proprietor
Membership No. 48516
MUMBAI : 4th July, 2007

MUMBAI : 4th July, 2007

CASH FLOW STATEMENT

			2006-2007 (Rupees)		2005-2006 (Rupees)
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net Profit before tax and after extraordinary items		**(650,264)**		(11,364)
	Adjustments for :				
	Depreciation				
	Provision for Leave Encashment				
	Provision for Bad and Doubtful Debts				
	Share of Profit				
	Interest Expenses (Net)				
	Effects of exchange rate change	–	–		–
	Operating Profit before working capital changes		**(650,264)**		(11,364)
	Adjustments for:				
	Trade and Other receivables				
	Inventories				
	Trade Payables	–		(817)	(817)
	Cash generated from operations				
	Direct Taxes paid				
	Net Cash Flow from Operating Activities		**(650,264)**		(12,181)
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Purchase of fixed assets				
	Purchase of Investments				
	Share of Profit				
	Sale of Investments				
	Net Cash used in investing activities		–		--
C.	**CASH FLOW FROM FINANCE ACTIVITIES:**				
	Increase in Secured Borrowings from Banks				
	Increase/(Decrease) in Unsecured borrowings				
	Interest Paid (Net)				
	Net Cash used in financing activities		–		–
	Net increase in cash and cash equivalents (A+B+C)		**(650,264)**		(12,181)
	Opening Balance of Cash and Cash equivalent		**462,134**		474,315
	Closing Balance of Cash and Cash equivalent		**(188,130)**		462,134

As per our report of even date
For LATHI & CO.
CHARTERED ACCOUNTANTS

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

DIPEN N. LATHI
Proprietor
Membership No. 48516
MUMBAI : 4th July, 2007

MUMBAI : 4th July, 2007

SCHEDULE 'A' TO 'G' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

		31st March, 2007 (Rupees)		31st March, 2006 (Rupees)
SCHEDULE 'A' - Share Capital				
Authorised				
3,00,000 Equity Share of Rs 100 each		**30,000,000**		500,000
Issued Subscribed				
5,000 Equity Share of Rs 100 each		**500,000**		500,000
SCHEDULE - B				
Reserves and Surplus				
General Reserve		**19,000**		19,000
		19,000		19,000
SCHEDULE - C				
Current Assets, Loans & Advances				
Cash and Bank Balances				
Cash on hand	**4,628**		6,146	
Balance with Schedule Bank				
In Current Accounts	**150,501**	**155,129**	455,988	462,134
		155,129		462,135
SCHEDULE - D				
Current Liabilities				
Other Liabilities		**283,813**		–
Outstanding Liability		**67,196**		7,750
		351,009		7,750
SCHEDULE - E				
Payment to Employees				
Salaries, Wages, Bonus etc.		**307,359**		–
Contribution to PF etc.		**34,209**		7,750
		341,568		–
SCHEDULE - F				
Filling Fees		**1,518**		600
Bank Charges		**525**		-
Professional Fees		**2,809**		1,122
Miscellaneous Expenses		**299,350**		6,275
Remuneration to Auditors		**4,494**		3,367
		308,696		11,364

SCHEDULE - G

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

SIGNIFICANT ACCOUNTING POLICIES :

1) **GENERAL :**

Accounts have been prepared based on historical costs and on the basis of a Going Concern Concept with revenues considered and Expenses Accounted, wherever possible, on their Accrual. Accounting policies not specifically referred to otherwise are with the generally accepted accounting principles.

2) **USE OF ESTIMATES :**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reported period. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

3) **INCOME AND EXPENDITURE**

It is the general policy of the company to account for all Income and Expenditure on accrual basis.

4) **FIXED ASSETS AND DEPRECIATION :**

The company has no fixed assets.

5) **INVESTMENTS :**

The company has no investments during the year.

6) **SEGMENT REPORTING :**

The company has not recorded any turnover at any time during the financial year ended March 31, 2007. The disclosure requirements of AS-17 are not applicable.

7) Previous year's figures have been regrouped and rearranged wherever necessary.

8) Additional information pursuant to the provision of paragraph 4 of Part - II of schedule - VI of the Companies Act, 1956.

The Company has not paid any managerial remuneration or commission or other allowances or any guarantee commission. No amounts have been paid as pensions or gratuities or compensation for loss of office.

For LATHI & CO.
CHARTERED ACCOUNTANTS

DIPEN N. LATHI
Proprietor
Membership No. 48516
MUMBAI : 4th July, 2007

KIRTILAL K. DOSHI
Chairman

NIHAR N. PARIKH
VISHAL S. DOSHI
Directors

MUMBAI : 4th July, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1.	**Registration Details**	
	Registration Number	30,671
	State Code	11
	Balance Sheet Date	March 31, 2007
2.	**Capital raised during the year**	**(Amount in Rs.)**
	Public Issue	––
	Rights Issue	––
	Bonus Issue	––
	Private Placement	––
3.	**Position of Mobilisation and Deployment of Funds**	
	Total Liabilities	519000
	Total Assets	519000
	Sources of Funds	
	Paid-up Capital	500000
	Reserves & Surplus	19000
	Secured Loans	––
	Unsecured Loans	––
	Application of Funds	
	Net Fixed Assets	––
	Investments	––
	Net Current Assets	(195880)
	Miscellaneous Expenditure	––
	Accumulated Losses	714880
4.	**Performance of Company**	
	Total Income	––
	Total Expenditure	650264
	Profit before tax	- 650264
	Profit after tax	- 650264
	Earnings per Share in Rs.	-130.05
	Dividend Rate (%)	––
5.	**General Names of Three Principal Products/Services of Company (as per Monetary terms)**	
	Item Code No. (ITC Code)	NOT APPLICABLE
	Product Description	NOT APPLICABLE

DIRECTORS' REPORT

To the Members,

LUME JEWELLERY LIMITED

Your Directors have pleasure in presenting the SECOND ANNUAL REPORT and the audited accounts of the Company for the period ended 31st March, 2007.

FINANCIAL RESULTS:

	Year ended 31/03/2007 (Rs.)	Year ended 31/03/2006 (Rs.)
Profit / (Loss) before Taxation	(5,094)	(35,847)
Less : Provision for Taxation	–	–
Profit / (Loss) after Taxation	(5,094)	(35,847)
Add: Balance Brought forward	(35,847)	-
Loss carried to Balance Sheet	(40,941)	(35,847)

During the period under review the Company had incurred a loss of Rs.5,094/- and the same was carried to the Balance Sheet.

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

ACQUISITION OF SHARES BY HOLDING COMPANY:
Shrenuj & Company Limited, which held 51% of the shares of the Company has acquired the balance 49% equity shares of the Company on 8th May, 2007. By acquiring balance 24,500 equity shares of the Company, it has become 100% holding company.

CHANGE OF NAME:
The main objects of Shrenuj & Company Limited, the holding company and the Company are similar. In view to achieve identity in the global market the word "Shrenuj" needs to be used as a part of the Company's name. This will be beneficial for the Company for initiating and expanding its operations in overseas markets. As the word "Shrenuj" has been well recognized in gems and jewellery industry all over the world; by incorporating the word "Shrenuj" in its name, the Company will get the benefit of the goodwill and image established by Shrenuj & Company Limited, the holding company, during the last three decades.

The Company has proposed to pass the resolution under Section 21 of the Companies Act, 1956 for change of name from "Lume Jewellery Limited" to "Shrenuj Glitters Limited" at the ensuing extra ordinary general meeting of the Company to be held on 12th July, 2007. The Company has received a name availability letter for change of name to Shrenuj Glitters Limited from Government of India, Ministry of Company Affairs, Office of the Registrar of Companies.

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:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) 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, 2007 and of the loss of the Company for that year;

(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 .

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

AUDITORS AND AUDITORS REPORT:
Shareholders are requested to appoint M/s. Prakash S. Doshi & Co., Chartered Accountants, as Auditors of the Company for current year and authorise the Board to fix their remuneration.

By Order of the Board

KIRTILAL KALIDAS DOSHI
CHAIRMAN

Mumbai, 4th July, 2007.

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 **Lume Jewellery Limited** as at 31st March, 2007 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.

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, 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;
   d. 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;
   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, 2007 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 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, 2007;
      ii. in the case of the Profit and Loss Account, of the loss of the company for the year ended on that date, and
      iii. 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

P.S. DOSHI
PROPRIETOR
MUMBAI : 4th July, 2007 **MEMBERSHIP NO. 11532**

Annexure to the Auditor's Report

(Referred to in paragraph 2 of our report of even date on the accounts of **Lume Jewellery Limited** for the year ended 31st March, 2007)

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

P.S. DOSHI
PROPRIETOR
MEMBERSHIP NO. 11532

MUMBAI : 4th July, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	31st March 2007 (Rupees)		31st March, 2006 (Rupees)	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	A	500,000			500,000
			500,000		500,000
			500,000		500,000
APPLICATION OF FUNDS					
CURRENT ASSETS,					
LOANS AND ADVANCES :					
Cash & Bank balances	B	464,675		469,765	
LESS : CURRENT LIABILITIES AND PROVISIONS :	C				
Current Liabilities		5,616		5,612	
NET CURRENT ASSETS			459,059		464,153
PROFIT AND LOSS ACCOUNT			40,941		35,847
			500,000		500,000
Notes forming part of the accounts	D				

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

P.S. DOSHI
Proprietor

KIRTILAL K. DOSHI
Chairman

SHREYAS K. DOSHI
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 4th July, 2007

MUMBAI.
Dated : 4th July, 2007

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

	SCHEDULE	31st March 2007 (Rupees)		31st March, 2006 (Rupees)	
INCOME			-		-
EXPENDITURE					
Auditors Remuneration					
Audit Fees		2,247		2,245	
Taxation Fees		2,247		2,245	
Certification Fees		-		1,122	
			4,494		5,612
Preliminary Expenses			0		29,635
Filing Fees			600		600
Loss Before Taxation			5,094		35,847
Provision for Taxation			-		-
Loss for the year			5,094		35,847
Add : Balance B/fd.			35,847		-
Balance carried to Balance Sheet			40,941		35,847
Earning per share (basic & diluted) Rs.					
Face Value of shares Rs.10/- each			-0.10		-0.72
Notes forming part of the accounts	D				

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

P.S. DOSHI
Proprietor

KIRTILAL K. DOSHI
Chairman

SHREYAS K. DOSHI
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 4th July, 2007

MUMBAI.
Dated : 4th July, 2007

Cash Flow statement
Annexed to the Balance Sheet for the year ended 31st March 2007

	2006-2007	2005-2006
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinery items	(5,094)	(35,847)
Adjustments for:		
Depreciation	-	-
Other Adjustments	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(5,094)	(35,847)
Adjustments for:		
Amounts payable	4	5,612
CASH GENERATED FROM OPERATIONS	(5,090)	(30,235)
Direct Taxes paid	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES **Total**	(5,090)	(30,235)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	-	-
Purchase of Investmnets	-	-
Sale of Fixed assets	-	-
Sale of Investmnets	-	-
Movement of Loans	-	-
NET CASH USED IN FINANCING ACTIVITIES **Total**	-	-
C) CASH FLOW FROM FINANCE ACTIVITIES		
Proceeds of fresh issue of equity shares	-	500,000
Interest paid	-	-
Dividend paid	-	-
NET CASH USED IN FINANCING ACTIVITIES **Total**	-	500,000
Net increase in cash and cash equivalent		
(A+B+C)	(5,090)	469,765
Opening balance of cash and cash equivalent	469,765	-
Closing balance of cash and cash equivalent	464,675	469,765

As per our report of even date

For **PRAKASH S. DOSHI & COMPANY**
Chartered Accountants

KIRTILAL K. DOSHI
Chairman

P.S. DOSHI
Proprietor

SHREYAS K. DOSHI
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 4th July, 2007

MUMBAI.
Dated : 4th July, 2007

SCHEDULE 'A' TO 'D' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

		31st March 2007 (Rupees)		31st March, 2006 (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
SCHEDULE 'B' - Current Assets, Loans and Advances				
Current Assets				
Cash and Bank Balances				
Cash on Hand	7,265		7,865	
Balance with Schedule Banks				
In Current Account	457,410		461,900	
		464,675		469,765
		464,675		469,765
SCHEDULE 'C' - Current Liabilities				
Current Liabilities				
Sundry Creditors		5,616		5,612
		5,616		5,612

SCHEDULE – D

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

a. The financial statements have been prepared under the historical cost convention and generally accepted accounting principles and the provision of the Companies Act, 1956 as adopted consistently by the Company.

b. Accounting policies not specifically referred to otherwise are consistent with and in consonance with generally accepted accounting principles.

c. The Company accounts for all income and expenditure on accrual basis.

2. 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.

3. The Company has not started manufacturing, trading or processing activity.

4. 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.

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 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. Earning per Share:

Earning 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. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

Particular		31-03-2007	31-03-2006
Profit after taxation	Rs.	-5094	-35847
Weighted average number of shares	Nos.	50000	50000
Earning per share (basic & diluted)	Rs.	-0.10	-0.72
Face value per share	Rs.	10.00	10.00

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

1. Registration Details	
Registration No.	155373
State Code	11
Balance Sheet Date	31st March, 2007
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
Reserves & Surplus	NIL
Secured Loans	NIL
Unsecured Loans	NIL
Application of Funds:	
Net Fixed Assets	NIL
Investments	NIL
Net Current Assets	459059
Misc. Expenditure	NIL
Accumulated Losses	40941
4. Performance of Company	**(Rupees)**
Turnover	0
Total Expenditure	5094
Profit Before Tax	-5094
Profit After Tax	-5094
Earning Per Share (Rs.)	-0.10
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 & COMPANY**
Chartered Accountants

KIRTILAL K. DOSHI
Chairman

P.S. DOSHI
Proprietor

SHREYAS K. DOSHI
VISHAL S. DOSHI
Directors

MUMBAI.
Dated : 4th July, 2007

MUMBAI.
Dated : 4th July, 2007

DIRECTORS' REPORT

To the Members,

S. N. JEWELLERY PRIVATE LIMITED

Your Directors have pleasure in presenting the THIRD ANNUAL REPORT and the audited accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS:

	Year ended 31/03/2007 (Rs.)	Year ended 31/03/2006 (Rs.)
Profit / (Loss) before Taxation	-	(18,614)
Less : Provision for Taxation	-	-
Profit / (Loss) after Taxation	-	(18,614)
Add: Balance Brought forward	**(21,414)**	(2,800)
Loss carried to Balance Sheet	**(21,414)**	(21,414)

DIVIDEND:

During the period under review the Company had brought forward a loss of Rs.21,414/-. In view of the losses, the Directors have not recommended any dividend.

OPERATIONS:

The Company has acquired a leasehold plot of land of around 875 sq. meters in Seepz, SEZ, Andheri (East), Mumbai and is in the process of setting up a jewellery unit on the said plot. All expenses incurred during the year are transferred to capital work in progress account. The Company had no manufacturing or business activity in the financial year.

INCREASE IN AUTHORISED SHARE CAPITAL :

In order to issue further shares to the holding company viz. Shrenuj & Company Limited the Company has increased its Authorised Share Capital from Rs.1,00,000/- (10,000 Equity Shares of Rs.10/- each) to Rs.6,00,00,000/- (60,00,000 Equity Shares of Rs.10/- each) at the Extra Ordinary General Meeting of the Members held on 2nd February, 2007 and accordingly altered the capital clause of Memorandum and Articles of Association of the Company.

ACQUISITION OF SHARES BY HOLDING COMPANY:

Shrenuj & Company Limited, which was holding 50% of the shares of the Company has acquired the balance 50% equity shares of the Company during the year under review. By acquiring balance 5,000 equity shares of the Company, it has become 100% holding company.

FURTHER ISSUE OF SHARES:

Shrenuj & Company Limited, a holding company has given unsecured loan to the Company. The part of the loan has been converted into equity capital of the Company and accordingly 29,90,000 equity shares of Rs.10/- each were issued/allotted to Shrenuj & Company Limited on 31st March, 2007.

CHANGE OF NAME:

Shrenuj & Company Limited, the holding company and the Company are in the same line of business. In order to achieve identity in the global market the word "Shrenuj" needs to be used as a part of the Company's name. This will be beneficial for the Company for expanding its operations in overseas markets. As the word "Shrenuj" has been well recognized in gems & jewellery industry all over the world, by incorporating the word "Shrenuj" in its name, the Company will get the benefit of the goodwill and image established by Shrenuj & Company Limited, during the last three decades.

The Company has passed the resolution under Section 21 of the Companies Act, 1956 for change of name from "S. N. Jewellery Private Limited" to "Shrenuj Gems & Jewellery Private Limited" at the Extra Ordinary General Meeting held on 22nd May, 2007. The necessary documents for change of name have been submitted with the Registrar of Companies, Maharashtra, Mumbai for their approval.

CHANGE IN REGISTERED OFFICE ADDRESS:

For administrative convenience, registered office of the Company was changed from 12, Sarla Sadan, French Bridge, Opera House, Mumbai – 400 007 to 4/12, Sona Udyog Industrial Estate, Parsi Panchayat Road, Andheri – East, Mumbai – 400 069 with effect from 8th May, 2006.

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.

DIRECTORS:

During the year Shri Kirtilal K. Doshi, Shri Nihar Nitin Parikh and Shri Mehul N. Shah were appointed as Additional Directors of the Company and Shri Nikhil Navinchandra Shah, has resigned from the Board w.e.f. 1st August, 2006.

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, 2007 and of the loss of the Company for that year;

(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:

Shareholders are requested to appoint M/s. Prakash S. Doshi & Co., Chartered Accountants, as Auditors of the Company for current year and authorise the Board to fix their remuneration.

By Order of the Board

KIRTILAL K. DOSHI
CHAIRMAN

Mumbai, 3rd July, 2007.

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 **S. N. Jewellery Private Limited** as at 31st March, 2007 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.

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, 2007 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, 2007;
      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

P.S. DOSHI
PROPRIETOR
MUMBAI : 3rd July, 2007 **MEMBERSHIP NO. : 11532**

Annexure to the Auditor's Report

(Referred to in paragraph 2 of our report of even date on the accounts of **S. N. Jewellery Private Limited** for the year ended 31st March, 2007)

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 had taken a loan during previous year from a shareholder covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year aggregates Rs.10500/- and year end balance of the loans taken was Rs. Nil.
   (c) In our opinion, the rate of interest, where applicable and other terms and conditions on which loans have been taken from a shareholder, listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
   (d) There is no stipulation as regards repayment of principal.
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. (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, 2007 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. 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

P.S. DOSHI
PROPRIETOR
MUMBAI : 3rd July, 2007 **MEMBERSHIP NO. 11532**

BALANCE SHEET AS AT 31ST MARCH, 2007

Particulars	Schedules		31/03/2007		31/03/2006
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	A		32,461,313		100,000
Unsecured Loan	B		–		1,110,500
TOTAL			**32,461,313**		**1,210,500**
APPLICATION OF FUNDS					
Fixed Assets					
Capital Work in Progess	C		30,224,117		–
Current Assets, Loan and Advnaces :	D				
Current Assets:					
Cash & Bank Balances		2,227,193		93,015	
Loans & Advances		47,652		1,100,000	
		2,274,845		1,193,015	
Less: Current Liabilities and Provisions					
Current Liabilities					
Other Liabilities	E	59,063		3,929	
		59,063		3,929	
Net Current Assets			2,215,782		1,189,086
Profit & Loss Account			21,414		21,414
TOTAL			**32,461,313**		**1,210,500**
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**	**NIHAR N. PARIKH** **DIRECTOR**
MUMBAI : 3rd July, 2007	**MUMBAI : 3rd July, 2007**

Cash Flow Statement for the year ended 31st March, 2007

Particulars		2006-2007	2005-2006
A) CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax and extraordinary items		–	(18,614)
Other Adjustments			
Preliminary Expenses Written off		–	13,000
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		–	(5,614)
Adjustments for:			
Trade and Other Receivable		1,052,348	(1,100,000)
Trade Payables		55,134	1,429
CASH GENERATED FROM OPERATIONS		1,107,482	(1,104,185)
Direct Taxes paid			
NET CASH FLOW FROM OPERATING ACTIVITIES	**Total**	1,107,482	(1,104,185)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Capital Work in Progress		(30,224,117)	–
NET CASH USED IN FINANCING ACTIVITIES	**Total**	(30,224,117)	–
C) CASH FLOW FROM FINANCE ACTIVITIES			
Proceeds of fresh issue of equity shares		32,361,313	–
Unsecured Loan received during the year		–	1,100,000
Unsecured Loan repaid during the year		(1,110,500)	–
NET CASH USED IN FINANCING ACTIVITIES	**Total**	31,250,813	1,100,000
Net increase in cash and cash equivalent	**(A+B+C)**	2,134,178	(4,185)
Opening balance of cash and cash equivalent		93,015	97,200
Closing balance of cash and cash equivalent		2,227,193	93,015

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** **DIRECTOR**
MUMBAI : 3rd July, 2007	**MUMBAI : 3rd July, 2007**

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

Particulars	Schedules	31/03/2007	31/03/2006
EXPENDITURE			
Administration Expenses	F	–	5,614
Preliminary Expenses Written Off		–	13,000
TOTAL		–	**18,614**
Loss Before Taxation		–	(18614)
Less Provision for taxation		–	–
Loss after Taxation		–	(18614)
Brought Forward Loss of Earlier Years		(21414)	(2800)
Balance Carried to Balance Sheet		**(21414)**	**(21414)**
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**	**NIHAR N. PARIKH** **DIRECTOR**
MUMBAI : 3rd July, 2007	**MUMBAI : 3rd July, 2007**

SCHEDULE 'A' TO 'G' ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	31/03/2007	31/03/2006
SCHEDULE - A		
Share Capital		
Authorised		
6000000 (10000) Equity Shares of Rs.10/- each	60,000,000	100,000
	60,000,000	100,000
Issued and Subscribed		
3000000 (10000) Equity Shares of Rs.10/- each fully paid up	30,000,000	100,000
Share Application Money Received Pending Allotment	2,461,313	–
	32,461,313	100,000
SCHEDULE - B		
Unsecured Loans		
From Shareholder	-	1,100,000
From Director	-	10,500
	-	1,110,500
SCHEDULE - C		
Capital Work in Progress	30,224,117	-
	30,224,117	-
SCHEDULE - D		
Current Assets, Loans and Advances		
A. Current Assets		
Cash & Bank Balances		
Cash on hand	23,962	10,300
Balance with Scheduled Banks		
In Current Account	2,203,231	82,715
	2,227,193	93,015
B. Loans and Advances		
(Unsecured, Considered Good)		
Electricity Deposits	47,652	–
Advance recoverable in cash or in kind or for value to be received	–	1,100,000
	47,652	1,100,000
SCHEDULE - E		
Current Liabilities		
Sundry Creditors-Other than small scale industrial undertakings	59,063	3,929
	59,063	3,929
SCHEDULE - F		
Administration Expenses		
Auditors Remuneration	–	3,929
Miscellaneous expense	–	1,685
	–	5,614

SCHEDULE – G

NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES :

A. Basis of Preparation of financial statements

i. 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.

ii. 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. Basis of Accounting:

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

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.	31-03-2007 Rs.
1	Capital Work in Progress – Building		29553970
2	Capital Work in Progress - Electrical Installation		53331
3	Capital Work in Progress - Air Conditioner		25000
4	Preliminary Expenses		
	Audit Fees	5618	
	Taxation matters	3317	
	Stamp Duty Charges to Increase Share Capital	119000	
	ROC Fees to Increase Share Capital	402000	
	Other Expenses related to ROC	1666	
	Security Charges	55295	
	Printing and Stationery	1250	
	Sundry Expenses	2401	
	Bank Charges	1215	591816
			30224117

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 31.03.2007**

Estimated amount of Contracts remaining to be executed on capital accounts (net of Advances) and not provided for Rs.46326749/-

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 - 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 Benefits (Revised 2005)
Accounting Standard - 16	Borrowing Costs
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. The number used in calculating basic and diluted earning per equity share are as stated below. For the year, in the absence of Profit and Loss account it is not applicable.

Particulars	**31.03.2006 Rs.**
Loss after taxation	18614
Weighted average number of shares	50000
Earning per share (Basic and diluted)	0.37
Face Value per share	10

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
Aditi Diamimpex Trading & Manufacturing Co. Ltd.	Fellow Subsidiary
Daily Jewellery Limited	Fellow Subsidiary
Shrenuj Overseas Ltd.	Fellow Subsidiary
Lume Jewellery Ltd.	Fellow Subsidiary
Shrenuj DMCC	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 Outsourcing) Limited	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
Burnet Holdings (Proprietory) Ltd.	Fellow Subsidiary
Astral Australia Pty Ltd.	Fellow Subsidiary
Shrenuj (Shanghai) Diamonds Company Ltd. China	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
Trapz, LLC

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			31.03.2007
2. Capital Raised during the year			
Public Issue	–	Right Issue	–
Share Application Money	2461313		
Bonus Issue	–	Private Placement	29900000
3. Position of Mobilisation and Deployment of Funds			
Total Liabilities	32461313	Total Assets	32461313
Sources of Funds			
Paid up Capital	30000000	Reserves & Surplus	–
Secured Loans	–	Unsecured Loans	–
Share Application Money	2461313		
Application of Funds			
Net Fixed Assets	30224117	Investments	–
Net Current Assets	2215782	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	–

For PRAKASH S. DOSHI & COMPANY	**KIRTILAL K. DOSHI**
CHARTERED ACCOUNTANTS	**CHAIRMAN**
P.S. DOSHI	**NIHAR N. PARIKH**
PROPRIETOR	**DIRECTOR**
MUMBAI : 3rd July, 2007	**MUMBAI : 3rd July, 2007**

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, 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are retailing of Jewellery.

FINANCIAL RESULTS AND APPROPRIATION

The result for the year ended 31st March, 2007 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,

DIPAN J. PATEL
Chairman.

Hong Kong, 18th June, 2007

BALANCE SHEET
AT 31ST MARCH, 2007

		2007		2006	
	Note	HK$	INR	HK$	INR
NON-CURRENT ASSETS					
Fixed assets	8	2,679,575	15,005,620	3,225,033	18,060,185
Unlisted Investments	9	3,965	22,204	3,966	22,210
		2,683,540	15,027,824	3,228,999	18,082,395
CURRENT ASSETS					
Trade and other receivables	10	10,825,404	60,622,262	9,409,500	52,693,200
Inventories		27,836,642	155,885,195	18,083,666	101,268,530
Deposits		1,632,623	9,142,689	1,532,670	8,582,952
Bank balances and cash		631,547	3,536,663	1,992,810	11,159,736
		40,926,216	229,186,809	31,018,646	173,704,418
CURRENT LIABILITIES					
Trade and other payables	11	48,557,404	271,921,462	17,764,371	99,480,478
Amount due to a Shareholder		-	-	8,499,900	47,599,440
Bank Loan	12	-	-	3,336,000	18,681,600
Bank Overdraft		-	-	366,970	2,055,032
		48,557,404	271,921,462	29,967,241	167,816,550
NET CURRENT (LIABILITIES) ASSETS		(7,631,188)	(42,734,653)	1,051,405	5,887,868
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,947,648)	(27,706,829)	4,280,404	23,970,262
NON-CURRENT LIABILITIES					
Bank Loan	12	-	-	(3,328,000)	(18,636,800)
NET (LIABILITIES) ASSETS		(4,947,648)	(27,706,829)	952,404	5,333,462
CAPITAL AND RESERVES					
SHARE CAPITAL	13	5,000,000	28,000,000	5,000,000	28,000,000
ACCUMULATED LOSSES		(9,947,648)	(55,706,829)	(4,047,596)	(22,666,538)
SHAREHOLDERS' FUNDS		(4,947,648)	(27,706,829)	952,404	5,333,462

Exchange rate used for translation 1 HK$ = INR 5.6000

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

Approved by the Board of Directors on 18th June, 2007

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

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 the annexed pages, which comprise the balance sheet as at 31st March, 2007, 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 opining on these financial statements based on our audit. 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 statement. 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, 2007 and of its loss 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 have a net loss of HK$ 5,900,052 (INR 33,040,291) during the year ended 31st March, 2007 and, as of that date, the company's total liabilities exceeded its total assets by HK$4,947,648 (INR 27,706,829). These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

DAVE WOK & CO.
Certified Public Accountants

Hong Kong, 18th June, 2007.

INCOME STATEMENT
FOR YEAR ENDED 31ST MARCH, 2007

		2007		2006	
	Note	HK$	INR	HK$	INR
TURNOVER	3	25,158,539	140,887,818	30,379,260	170,123,856
Cost of Sales		(10,755,856)	(60,232,794)	(14,105,439)	(78,990,458)
Gross Profit		14,402,683	80,655,024	16,273,821	91,133,398
Other revenue	3	45,788	256,413	24,406	136,674
Administrative expenses		(18,222,348)	(102,045,149)	(17,818,122)	(99,781,483)
LOSS FROM OPERATIONS	4	(3,773,877)	(21,133,712)	(1,519,895)	(8,511,411)
Finance costs	6	(2,126,175)	(11,906,580)	(1,044,835)	(5,851,076)
LOSS BEFORE TAXATION		(5,900,052)	(33,040,292)	(2,564,730)	(14,362,487)
Taxation	7	-	-	-	-
NET LOSS FOR THE YEAR		(5,900,052)	(33,040,292)	(2,564,730)	(14,362,487)

Exchange rate used for translation 1 HK$ = INR 5.6000

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2007

	Share Capital		Accumulated Losses		Total	
	HK$	INR	HK$	INR	HK$	INR
Balance as at 1st April, 2005	5,000,000	28,000,000	(1,482,866)	(8,304,050)	3,517,134	19,695,950
Net Loss for the year	-	-	(2,564,730)	(14,362,488)	(2,564,730)	(14,362,488)
Balance as at 31st March, 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)	(33,040,291)	(5,900,052)	(33,040,291)
Balance as at 31st March, 2007	5,000,000	28,000,000	(9,947,648)	(55,706,829)	(4,947,648)	(27,706,829)

Exchange rate used for translation 1 HK$ = INR 5.6000

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

	2007		2006	
	HK$	INR	HK$	INR
Cash flows from operating activities				
Loss before taxation	(5,900,052)	(33,040,291)	(2,564,730)	(14,362,488)
Adjustments for:				
Depreciation	1,259,772	7,054,723	1,116,910	6,254,696
Bank interest paid	449,206	2,515,554	638,047	3,573,063
Operating Loss before working capital changes	(4,191,074)	(23,470,014)	(809,773)	(4,534,729)
(Increase)/Decrease in trade receivable	(378,489)	(2,119,538)	62,592	350,515
Increase in other receivable	(1,051,066)	(5,885,970)	(1,600,252)	(8,961,411)
Decrease/(Increase) in prepayment	13,651	76,446	(6,220)	(34,832)
Increase in inventories	(9,752,976)	(54,616,666)	(1,766,261)	(9,891,062)
(Increase)/Decrease in deposits	(99,953)	(559,737)	135,217	757,215
Increase in trade payable	14,775,627	82,743,511	4,730,927	26,493,191
Increase in other payable	16,667,594	93,338,526	1,041,557	5,832,719
(Decrease)/Increase in accrued expenses	(650,188)	(3,641,053)	732,580	4,102,448
(Decrease) in amount due to a shareholder	(8,499,900)	(47,599,440)	-	-
Net cash generated from operating activities	6,833,226	38,266,065	2,520,367	14,114,054
Cash flows from investing activities				
Purchase of fixed assets	(714,314)	(4,000,158)	(1,111,981)	(6,227,094)
Sales proceeds from disposal of unlised investment	1	6	-	-
Bank interest paid	(449,206)	(2,515,554)	(638,047)	(3,573,063)
Net cash used in investing activities	(1,163,519)	(6,515,706)	(1,750,028)	(9,800,157)
Cash flows from financing activities				
Decrease in Bank loan	(6,664,000)	(37,318,400)	(3,336,000)	(18,681,600)
Net cash used in financing activities	(6,664,000)	(37,318,400)	(3,336,000)	(18,681,600)
Net Decrease in cash and cash equivalents	(994,293)	(5,568,041)	(2,565,661)	(14,367,702)
Cash and cash equivalents at beginning of year	1,625,840	9,104,704	4,191,501	23,472,406
Cash and cash equivalents at end of year	631,547	3,536,663	1,625,840	9,104,704
Cash and cash equivalents				
Bank balances and cash	631,547	3,536,663	1,992,810	11,159,736
Bank Overdraft	-	-	(366,970)	(2,055,032)
	631,547	3,536,663	1,625,840	9,104,704

Exchange rate used for translation 1 HK$ = INR 5.6000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007

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. Hongkong.

During the year, the Company was principally involved in retailing of jewellery.

2. PRINCIPAL ACCOUNTING POLICES

(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, 2007 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 in expense in the profit and loss account, such provisions being determined for each investment individually.

Profit 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 leaser 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 reversal 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. 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 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 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 rate 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 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 as follows:

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Turnover:				
Sales of goods	25,158,539	140,887,818	30,379,260	170,123,856
Other revenue:				
Sundry Income	45,788	256,413	24,406	136,674
Total Revenues	25,204,327	141,144,231	30,403,666	170,260,530

4. LOSS FROM OPERATIONS

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Loss from operations is arrived at after charging:				
Auditors' Remuneration	16,500	92,400	16,500	92,400
Depreciation	1,259,772	7,054,723	1,116,910	6,254,696
MPF Contribution	294,072	1,646,803	320,307	179,372
Staff Cost, excluding Directors' emoluments (Note 5)				
Salaries and Allowances	7,077,597	3,963,454	6,870,225	38,473,260
Staff Welfare	32,970	184,632	85,324	477,814
Other Interest	1,290,052	7,224,291	-	-
Building Rental	6,535,883	36,600,945	5,845,881	32,736,934

5. DIRECTORS' EMOLUMENTS

	2007		2,006	
	HK$	**INR**	**HK$**	**INR**
Fees	-	-	-	-
Other emoluments	-	-	-	-
Total	-	-	-	-

6. FINANCE COSTS

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Bank loan interest	449,206	2,515,554	638,047	3,573,063
Other Interest	1,290,052	7,224,291	-	-
Bank charges	386,917	2,166,735	406,788	2,278,013
Total	2,126,175	11,906,580	1,044,835	5,851,076

7. TAXATION

(a) No Hong Kong Profits Tax has been provided as the Company has no assessable profit for the year ended 31st March 2007 (2006: Nil)

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

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Loss before taxation	5,900,052	33,040,291	2,564,730	14,362,488
Tax at the applicable rate of 17.5%	(1,032,509)	(5,782,050)	(448,828)	(2,513,437)
Tax effect of temporary differences not recognized	165,785	928,396	140,094	784,526
Tax effect of non-deductible expenses	225,759	1,264,250	-	-
Tax effect of unused tax losses not recognized	640,965	3,589,404	308,734	1,728,911
Tax expenses	-	-	-	-

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

	2007		2006	
	Deductible (Taxable) Difference/ Tax Loss	Deferred Tax Assets (Liabilities)	Deductible (Taxable) Difference/ Tax Loss	Deferred Tax Assets (Liabilities)
	HK$	**HK$**	**HK$**	**HK$**
Accelerated Depreciation	1,916,024	335,304	968,678	169,519
Accumulated unused tax losses	6,406,012	1,121,052	2,743,358	480,088
Total deductible temporary difference and unused tax losses	8,322,036	1,456,356	3,712,036	649,607

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

	2007		2,006	
	Deductible (Taxable) Difference/ Tax Loss	Deferred Tax Assets (Liabilities)	Deductible (Taxable) Difference/ Tax Loss	Deferred Tax Assets (Liabilities)
	INR	**INR**	**INR**	**INR**
Accelerated Depreciation	10,729,734	1,877,702	5,424,597	949,306
Accumulated unused tax losses	35,873,667	6,277,891	15,362,805	2,688,493
Total deductible temporary difference and unused tax losses	46,603,401	8,155,593	20,787,402	3,637,799

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

8. FIXED ASSETS (IN HK$)

	Furniture and Fixtures	Office equipment	Casting moulds	Total
2007	**HK$**	**HK$**	**HK$**	**HK$**
Cost:				
As at 1.4.2006	4,815,277	263,814	505,460	5,584,551
Additions	668,514	45,800	-	714,314
As at 31.3.2007	5,483,791	309,614	505,460	6,298,865
Aggregate depreciation:				
As at 1.4.2006	1,943,225	114,109	302,184	2,359,518
Charge for the year	1,096,757	61,923	101,092	1,259,772
As at 31.3.2007	3,039,982	176,032	403,276	3,619,290
Net Book Value: As at 31.3.2007	2,443,809	133,582	102,184	2,679,575
2006				
Cost:				
As at 1.4.2005	3,752,830	214,280	505,460	4,472,570
Additions	1,062,447	49,534	-	1,111,981
As at 31.3.2006	4,815,277	263,814	505,460	5,584,551
Aggregate depreciation:				
As at 1.4.2005	980,170	61,346	201,092	1,242,608
Charge for the year	963,055	52,763	101,092	1,116,910
As at 31.3.2006	1,943,225	114,109	302,184	2,359,518
Net Book Value: As at 31.3.2006	2,872,052	149,705	203,276	3,225,033

FIXED ASSETS (IN INR)

	Furniture and Fixtures	Office equipment	Casting moulds	Total
2007	**INR**	**INR**	**INR**	**INR**
Cost:				
As at 1.4.2006	26,965,551	1,477,358	2,830,576	31,273,486
Additions	3,743,678	256,480	-	4,000,158
As at 31.3.2007	30,709,229	1,733,838	2,830,576	35,273,644
Aggregate depreciation:				
As at 1.4.2006	10,882,060	639,010	1,692,230	13,213,301
Charge for the year	6,141,839	346,769	566,115	7,054,723
As at 31.3.2007	17,023,899	985,779	2,258,345	20,268,024
Net Book Value: As at 31.3.2007	13,685,330	748,059	572,231	15,005,620
2006				
Cost:				
As at 1.4.2005	21,015,848	1,199,968	2,830,576	25,046,392
Additions	5,949,703	277,390	0	6,227,094
As at 31.3.2006	26,965,551	1,477,358	2,830,576	31,273,486
Aggregate depreciation:				
As at 1.4.2005	5,488,952	343,538	1,126,115	6,958,605
Charge for the year	5,393,108	295,473	566,115	6,254,696
As at 31.3.2006	10,882,060	639,011	1,692,230	13,213,301
Net Book Value: As at 31.3.2006	16,083,491	838,347	1,138,346	18,060,185

9. UNLISTED INVESTMENT

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Unlisted Investments, at cost	3,965	22,204	3,966	22,210

10. TRADE AND OTHER RECEIVABLES

	HK$	**INR**	**HK$**	**INR**
Trade receivables	2,948,840	16,513,504	2,570,351	14,393,966
Other receivables	7,874,044	44,094,646	6822,978	38,208,677
Prepayments	2,520	14,112	16,171	90,558
Total	10,825,404	60,622,262	9,409,500	52,693,201

11. TRADE AND OTHER PAYABLES

	2007		2006	
	HK$	**INR**	**HK$**	**INR**
Trade payables	25,956,697	145,357,503	11,181,070	62,613,992
Other payables	21,183,301	118,626,486	4,515,707	25,287,959
Accrued expenses	1,417,406	7,937,474	2,067,594	11,578,526
Total	48,557,404	271,921,463	17,764,371	99,480,477

12. BANK LOAN, SECURED

The bank loan carried interest at 0.5% over Prime rate and is repayable by 12 quarterly instalment of HK$ 834,000 (INR 4,670,400) commencing from June 2005.

	HK$	**INR**	**HK$**	**INR**
Amount repayable within one year classified under current liabilities	-	-	3,336,000	18,681,600
Amount repayable in the second to fifth years inclusive	-	-	3,328,000	18,636,800
Total	-	-	6,664,000	37,318,400

The Bank Loan is guaranteed by the shareholders of the Company.

13. SHARE CAPITAL

	HK$	**INR**	**HK$**	**INR**
Authorised				
5,000,000 Ordinary shares of HK$1 each	5,000,000	28,000,000	5,000,000	28,000,000
Issued and fully paid				
5,000,000 Ordinary shares of HK$1 each	5,000,000	28,000,000	5,000,000	28,000,000

14. 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:

	HK$	**INR**	**HK$**	**INR**
Not later than one year	4,316,746	24,173,778	3,305,416	18,510,330
Later than one year but within five years	1,940,260	10,865,456	932,820	5,223,792
	6,257,006	35,039,234	4,238,236	23,734,122

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 26th May, 2007.

16. Note :

We have translated the Hong Kong Dollar amounts into Rupees at the closing rate as on 31st March 2007. 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.

Director's Report

The director submits his report and financial statements for the year ended 31 March 2007.

Results

The net profit for the year amounted to AED 3,647,405/- (INR 43,331,171).

Review of the business

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

Events since the end of the period

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

Shareholder and their interest

The shareholder at 31 March 2007 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 (represented by Kirtilal K. Doshi)	200	200,000	2,376,000

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

Auditors' Report to the Shareholder of SHRENUJ DMCC

We have audited the accompanying financial statements of **SHRENUJ DMCC** for the year ended 31 March 2007 set out on pages 3 to 13.

Respective responsibilities of the director and auditors:

The preparation and fair presentation of 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.

Basis of opinion:

We conducted our audit in accordance with International Standards on Auditing. 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.

Opinion:

In our opinion, the financial statements present fairly, in all material respects the financial position of **SHRENUJ DMCC** as of 31 March 2007 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KSI SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS

Dubai, 4th July 2007

Balance Sheet - 31st March 2007

		2007		2006	
	Notes	AED	INR	AED	INR
ASSETS					
Non-current assets					
Fixed assets	3	201,900	2,398,572	203,905	2,422,391
Advance against property	4	1,515,845	18,008,239	544,949	6,473,994
Investment in subsidiary	2b, 5, 15	-	-	257,297	3,056,688
		1,717,745	20,406,811	1,006,151	11,953,073
Current assets					
Inventories	6	5,306,403	63,040,068	779,285	9,257,906
Trade and other receivables	7, 15	37,748,992	448,458,025	10,995,887	130,631,138
Prepayments		-	-	77,698	923,052
Cash and cash equivalents	8	13,360,727	158,725,437	265,891	3,158,785
		56,416,122	670,223,530	12,118,761	143,970,881
Total assets		58,133,867	690,630,341	13,124,912	155,923,954
EQUITY AND LIABILITIES					
Shareholder's funds					
Share capital	9	11,210,000	133,174,800	200,000	2,376,000
Accumulated profits		3,674,763	43,656,184	27,358	325,013
Equity funds		14,884,763	176,830,984	227,358	2,701,013
Shareholder's loan account	10	-		4,066,775	48,313,287
Total shareholder's fund		14,884,763	176,830,984	4,294,133	51,014,300
Current liabilities					
Trade and other payables	11, 15	38,661,604	459,299,857	8,830,779	104,909,654
Bank borrowings	12	4,587,500	54,499,500	-	-
		43,249,104	513,799,357	8,830,779	104,909,654
Total equity and liabilities		58,133,867	690,630,341	13,124,912	155,923,954

Exchange rate used for translation 1 AED = INR 11.8800

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

Approved by the director on 4th July 2007.

Income Statement for the year ended 31 March 2007

		Year ended 31st March, 2007		24 Jul. 2005 to 31 Mar. 2006	
	Notes	AED	INR	AED	INR
Revenue	15	**72,573,268**	**862,170,424**	**8,568,689**	**101,796,025**
Cost of Sales	13, 15	(66,368,915)	(788,462,710)	(7,990,846)	(94,931,250)
Gross profit		**6,204,353**	**73,707,714**	**577,843**	**6,864,775**
Expenses	14	(2,201,732)	(26,156,576)	(550,485)	(6,539,762)
Profit from operation		**4,002,621**	**47,551,138**	**27,358**	**325,013**
Finance cost		(355,216)	(4,219,966)	-	-
Net profit for the year/period		**3,647,405**	**43,331,172**	**27,358**	**325,013**

Exchange rate used for translation 1 AED = INR 11.8800

Statement of Changes in Equity for the year ended 31 March 2007

	Share Capital		Accumulated Profits		Total	
	AED	INR	AED	INR	AED	INR
Introduced during the period	200,000	2,376,000	0	0	200,000	2,376,000
Net profit for the period	0	0	27,358	325,013	27,358	325,013
As at 31 March 2006	200,000	2,376,000	27,358	325,013	227,358	2,701,013
Introduced during the year	11,010,000	130,798,800	0	0	11,010,000	130,798,800
Net profit for the year	0	0	3,647,405	43,331,171	3,647,405	43,331,171
As at 31 March 2007	11,210,000	133,174,800	3,674,763	43,656,184	14,884,763	176,830,984

Exchange rate used for translation 1 AED = INR 11.8800

Cash Flow Statement for the year ended 31 March 2007

	Notes	Year ended 31st March, 2007 AED	INR	24 Jul. 2005 to 31 Mar. 2006 AED	INR
Cash flow from operating activities					
Net profit for the year/period		3,647,405	43,331,171	27,358	325,013
Adjustment for:					
Depreciation		69,249	822,678	15,292	181,669
Operating profit before working capital changes		**3,716,654**	**44,153,849**	**42,650**	**506,682**
(Increase)/decrease in inventories		(4,527,118)	(53,782,162)	(779,285)	(9,257,906)
(Increase)/decrease in trade and other receivables & prepayments		(26,675,407)	(316,903,835)	(11,073,585)	(131,554,190)
Increase/(decrease) in trade and other payables		29,830,825	354,390,201	8,830,779	104,909,655
Net cash from/(used in) operating activities		**2,344,954**	**27,858,053**	**(2,979,441)**	**(35,395,759)**
Cash flows from investing activities					
Purchase of fixed assets		(67,244)	(798,859)	(219,197)	(2,604,060)
Advance against property		(970,896)	(11,534,244)	(544,949)	(6,473,994)
(Increase)/decrease in investments		257,297	3,056,688	(257,297)	(3,056,688)
Net cash from/(used in) investing activities		**(780,843)**	**(9,276,415)**	**(1,021,443)**	**(12,134,742)**
Cash flow from financing activities					
Share capital introduced		11,010,000	130,798,800	200,000	2,376,000
Increase/(decrease) in loan from shareholder		(4,066,775)	(48,313,287)	4,066,775	48,313,287
Increase/(decrease) in bank borrowings		4,587,500	54,499,500	-	–
Net cash from/(used in) financing activities		**11,530,725**	**136,985,013**	**4,266,775**	**50,689,287**
Cash and cash equivalents at end of the year/period		**13,094,836**	**155,566,651**	**265,891**	**3,158,786**
Cash and cash equivalents at beginning of year		**265,891**	**3,158,785**	-	-
Cash and cash equivalents at end of year/period	8	**13,360,727**	**158,725,436**	**265,891**	**3,158,786**

Notes to the Financial Statements for the year ended 31 March 2007

1. Legal status and business activity

a) **SHRENUJ DMCC** is a limited liability company incorporated in the Dubai Multi Commodities Centre. The company was incorporated on 24 July 2005 under trade license number 30243.

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.

b) **Investment in subsidiaries:**
Subsidiary companies are those companies in which the company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

Investments in subsidiaries are accounted for under the cost method.

Income from investments in subsidiaries is accounted only to the extent of receipt of distribution of accumulated net profits of subsidiaries. Distributions received in excess of such profits are considered as a recovery of investments and are recorded as a reduction of the cost of investments.

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

d) **Trade receivables:**
Provision is made for doubtful debts. Bad debts are written off as they arise.

e) **Trade and other payables:**
Liabilities are recognized for amounts to be paid for goods or services received, whether invoiced by the supplier or not.

f) **Staff end of service benefits:**
The company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employments.

g) **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

h) **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.

i) **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.

3. Fixed assets

	Furniture & office equipment AED	INR	Vehicle* AED	INR	Total AED	INR
Cost						
As at 01.04.2006	145,767	1,731,712	73,430	872,348	219,197	2,604,060
Purchased during the year	67,244	798,859	-	-	67,244	798,859
As at 31.03.2007	213,011	2,530,571	73,430	872,348	286,441	3,402,919
Depreciation						
As at 01.04.2006	13,762	163,493	1,530	18,176	15,292	181,669
Charge for the year	50,891	604,585	18,358	218,093	69,249	822,678
As at 31.03.2007	64,653	768,078	19,888	236,269	84,541	1,004,347
Net book value						
As at 31.03.2007	**148,358**	**1,762,493**	**53,542**	**636,079**	**201,900**	**2,398,572**
As at 31.03.2006	**132,005**	**1,568,219**	**71,900**	**854,172**	**203,905**	**2,422,391**

**Vehicle registered in the name of director.*

4. Advance against property

This represents advance paid for the office premises at Al Mass Tower. Total cost of the property is AED 2,018,200 (INR 23,976,216) and is under construction. (*Refer note 18 for capital commitment)*

5. Investment in subsidiary

	2007 AED	INR	2006 AED	INR
Shrenuj N.V.	-	-	*257,297	3,056,688

**This represented investment in 90% of the share capital of M/S Shrenuj N.V i.e .90 shares@ Euro 620 per share. (Refer note15).*

6. Inventories

	2007 AED	INR	2006 AED	INR
Polished diamonds	5,306,403	63,040,068	-	-
Jewellery*	-		*779,285*	*9,257,906*
	5,306,403	63,040,068	*779,285*	*9,257,906*

**Includes inventories amounting to AED Nil. (Previous year AED 634,982) on consignment basis in U.A.E.*

7. Trade and other receivables

	2007 AED	INR	2006 AED	INR
Trade receivables *(refer note 15)*	33,709,449	400,468,254	8,442,553	100,297,530
Deposits	107,400	1,275,912	67,400	800,712
Short term loan *(refer note 15#)*	3,359,799	39,914,412	2,405,934	28,582,496
Advances	-	-	10,000	118,800
Other receivable	572,344	6,799,447	70,000	831,600
	37,748,992	**448,458,025**	**10,995,887**	**130,631,138**

#Represents short-term, unsecured, interest free loan to a business associate.

		2007		2006	
8.	**Cash and cash equivalents**	AED	INR	AED	INR
	Cash on hand	115,542	1,372,639	28,906	343,403
	Bank balance in:				
	Current accounts	3,745,185	44,492,798	236,985	2,815,382
	Short term deposit	9,500,000	112,860,000	-	-
		13,360,727	158,725,437	265,891	3,158,785

		AED	INR	AED	INR
9.	**Share capital**				
	200 shares of AED1,000*	11,210,000	133,174,800	200,000	2,376,000
		AED	INR	AED	INR
	Authorised, issued and paid up share capital				
	200 shares of AED 1,000	200,000	2,376,000	200,000	2,376,000
	Share application money	* 11,010,000	130,798,800	-	-
		11,210,000	133,174,800	200,000	2,376,000

**This represents share application money received from the sole shareholder of the company to increase the capital of the company. The legal formalities pertaining to such an increase in capital would be completed in due course.*

10. Shareholder's loan account

This amount represents a long-term, interest free, unsecured loan from the shareholder.

		AED	INR	AED	INR
11.	**Trade and other payables**				
	Trade payables *(refer note 15)*	35,858,507	425,999,063	8,594,143	102,098,419
	Other payables	2,790,882	33,155,678	196,726	2,337,105
	Accruals	12,215	145,114	39,910	474,131
		38,661,604	459,299,855	8,830,779	104,909,655

		2007		2006	
		AED	INR	AED	INR
12.	**Bank borrowings**				
	Working capital demand loan*	**4,587,500**	**54,499,500**	-	-

**Bank borrowings and other facilities are secured against:*

1. *Assignment of receivables from Shrenuj DMCC to bank.*
2. *Corporate guarantee from Shrenuj & Company Limited.*

		Year ended 31 March 2007		24Jul.2005 to 31Mar.2006	
13.	**Cost of sales**	AED	INR	AED	INR
	Opening stock	779,285	9,257,906	-	-
	Purchase of diamonds (refer note 15)	68,469,336	813,415,712	7,967,373	94,652,391
	Purchase of jewellery (refer note 15)	2,097,737	24,921,116	779,285	9,257,906
	Other direct expenses	328,960	3,908,045	23,473	278,859
		71,675,318	851,502,779	8,770,131	104,189,156
	Closing stock	(5,306,403)	(63,040,068)	(779,285)	(9,257,906)
		66,368,915	788,462,711	7,990,846	94,931,250
14.	**Expenses**	AED	INR	AED	INR
	Director's salaries and benefits	715,362	8,498,501	174,950	2,078,406
	Staff salaries and benefits	373,679	4,439,307	184,612	2,193,191
	Rent	101,201	1,202,268	61,334	728,648
	Other administrative expenses	942,241	11,193,823	114,297	1,357,848
	Depreciation	69,249	822,678	15,292	181,669
		2,201,732	26,156,577	550,485	6,539,762

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 2007 are as under:

	2007		2006	
	AED	INR	AED	INR
Purchases	60,193,771	715,101,999	8,740,307	103,834,847
Sales	1,017,135	12,083,564	-	-

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:

	2007		2006	
	AED	INR	AED	INR
Included under Non current assets:				
Investments	-	-	257,297	3,056,688
Included in current assets:				
Short term loan	-	-	2,405,934	28,582,496
Trade receivables	**1,259,400**	**14,961,672**	-	-
Included in current liabilities:				
Trade payables	**29,525,554**	**350,763,582**	8,594,143	102,098,419

16. 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 balance in current accounts and other receivables.

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

As at 31 March 2007, the company's significant concentration of credit risk with in UAE amounted to nil *(previous year AED 6,060,323/- (INR 71,996,637)).*

As at 31 March 2007, the company's significant concentration of credit risk outside UAE amounted to 9,052,053 (INR 107,538,390) (previous year AED nil)

Interest rate risk

The company has borrowed fund at libor +110 bps and therefore interest rate risk is minimum.

Exchange rate risk

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

17. Financial instruments: Fair value

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

18. Capital commitment

During the year, the company has entered into a contract to purchase properties in U.A.E amounting to AED 2,018,200 (INR 23,976,216). The outstanding capital commitment at the balance sheet date is AED 502,355/- (INR 5,967,977) (*not provided).*

19. Contingent liabilities

	2007		2006	
	AED	INR	AED	INR
Bankers' letters of guarantee	**63,000**	**748,440**	23,000	273,240

20. Comparative figures

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

Previous period's figures are for 250 days and hence not comparable with those of current year.

21. Note :

We have translated the AED amounts into Rupees at the closing rate as on 31st March 2007. The translations should not be considered as a representation that such AED amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated above, or at all.

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 2007.

PRINCIPAL ACTIVITY

The main activity of the Company is to hold investments.

REVIEW OF BUSINESS

The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend for the year under review (period from 04 April 2005 to 31 March 2006 - 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 2007:-

Mr Fung Kong Yune Kim

Mr Shreyas Kirtilal 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 2007 were as follows:

	Equity shares	
	Held directly Number	Held indirectly Number
Mr Fung Kong Yune Kim	–	–
Mr Shreyas Kirtilal Doshi	–	–

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 for audit and other services were:

	2007		2006	
	MRS	**INR**	**MRS**	**INR**
Audit services	97,950	146,925	93,484	140,226
Other services	–		–	
	97,950	146,925	93,484	140,226

Approved by the Board of Directors on 19th June 2007 and signed on its behalf by:

FUNG KONG YUNE KIM
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 2007, all such returns as are required of the company under Section 166 (d) of the Companies Act 2001.

FIRST ISLAND SECRETARIAL LTD
CORPORATE SECRETARY

Date: 19TH June, 2007

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 2007 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 4 in which the Company's investments in Shrenuj U.K. Limited, Shrenuj (Jewellery Outsourcing) Limited, Inter-gems H.K. Ltd are stated at cost of MRS 154,015,126 (INR 231,022,689), MRS 3,936,413 (INR 5,904,620) and MRS 1,027,231 (INR 1,540,846) 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 had 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 we have 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 2007 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, for 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
Chartered Certified Accountant

Date: 19th June, 2007

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	01.04.2006 to 31.03.2007 MRS	INR	04.04.2005 to 31.03.2006 MRS	INR
Revenue					
Bank interests		256,901	385,352	714	1,071
Expenses					
Set-up costs		–	–	33,523	50,285
Accounting fees		32,650	48,975	31,161	46,742
Disbursements		–	–	3,002	4,503
Professional fees		8,163	12,245	7,790	11,685
Administrative fees		120,053	180,080	36,875	55,313
Registration fees		2,506	3,759	3,299	4,949
Audit fees		97,950	146,925	93,484	140,226
Secretarial fees		15,442	23,163	16,761	25,142
Bank charges		35,168	52,752	9,350	14,025
Exchange loss		239,345	359,018	55,513	83,270
		551,277	826,917	290,758	436,140
Loss before taxation		**(294,376)**	**(441,564)**	**(290,044)**	**(435,066)**
Taxation	3	–	–	–	–
Net loss for the year / period		**(294,376)**	**(441,564)**	**(290,044)**	**(435,066)**

Exchange rate used for transaction 1 MAURITIUS RS. = INR 1.5000

BALANCE SHEET - 31 MARCH 2007

	NOTES	2007 MRS	2007 INR	2006 MRS	2006 INR
ASSETS					
Non-current assets					
Investments in subsidiaries	4	158,978,770	238,468,155	57,051,520	85,577,280
Current assets					
Trade and other receivables	5	68,751,022	103,126,533	1,540,446	2,310,669
Bank balances		54,785,896	82,178,844	134,978	202,467
		123,536,918	**185,305,377**	**1,675,424**	**2,513,136**
Total assets		**282,515,688**	**423,773,532**	**58,726,944**	**88,090,416**
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	6	281,757,135	422,635,703	59,833,000	89,749,500
Other reserves	7	986,435	1,479,652	(2,266,288)	(3,399,433)
Accumulated losses		(584,420)	(876,630)	(290,044)	(435,066)
Total equity		**282,159,150**	**423,238,725**	**57,276,668**	**85,915,001**
Non-current liabilities					
Borrowings	8	–	–	1,317,841	1,976,762
Current liabilities					
Trade and other payables	9	356,538	534,807	132,435	198,653
Taxation	3	–	–	–	–
		356,538	534,807	132,435	198,653
Total liabilities		**356,538**	**534,807**	**1,450,276**	**2,175,415**
Total equity and liabilities		**282,515,688**	**423,773,532**	**58,726,944**	**88,090,416**

Exchange rate used for transaction 1 MAURITIUS RS. = INR 1.5000

Approved by the Board of Directors on 19th June, 2007 and signed on its behalf by:

FUNG KONG YUNE KIM
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	Share Capital MRS	Other reserves MRS	Accumulated losses MRS	Total MRS
At 04 April 2005	–	–	–	–
Issue of shares	59,833,000	–	–	59,833,000
Unrealised loss on exchange	–	(2,281,000)	–	(2,281,000)
Unrealised gain on revaluation	–	14,712	–	14,712
Loss for the period	–	–	(290,044)	(290,044)
At 31 March 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**

	Share Capital INR	Other reserves INR	Accumulated losses INR	Total INR
At 04 April 2005	–	–	–	–
Issue of shares	89,749,500	–	–	89,749,500
Unrealised loss on exchange	–	(3,421,500)	–	(3,421,500)
Unrealised gain on revaluation	–	22,068	–	22,068
Loss for the period	–	–	(435,066)	(435,066)
At 31 March 2006	89,749,500	(3,399,432)	(435,066)	85,915,002
Issue of shares	332,886,203	–	–	332,886,203
Unrealised gain on exchange	–	4,667,249	–	4,667,249
Unrealised gain on revaluation	–	211,836	–	211,836
Loss for the year	–	–	(441,564)	(441,564)
At 31 March 2007	**422,635,703**	**1,479,653**	**(876,630)**	**423,238,726**

Exchange rate used for transaction 1 MAURITIUS RS. = INR 1.5000

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	01.04.2006 to 31.03.2007 MRS	INR	04.04.2005 to 31.03.2006 MRS	INR
OPERATING ACTIVITIES				
Loss for the year / period before taxation	(294,376)	(441,564)	(290,044)	(435,066)
Adjustments for:				
Interest income	(256,901)	(385,352)	(714)	(1,071)
Unrealised gain / (loss) on exchange	3,111,499	4,667,249	(2,281,000)	(3,421,500)
Unrealised loss on revaluation	(506,847)	(760,271)	–	–
Operating profit / (loss) before working capital changes	2,053,375	3,080,062	(2,571,758)	(3,857,637)
Decrease / (increase) in prepayments	58,988	88,482	(58,988)	(88,482)
Increase in trade and other payables	224,103	336,155	132,435	198,653
Cash generated from / (absorbed by) operations	2,336,466	3,504,699	(2,498,311)	(3,747,466)
Interest received	134,463	201,695	714	1,071
Net cash generated from / (used in) operating activities	2,470,929	3,706,394	(2,497,597)	(3,746,395)
INVESTING ACTIVITIES				
Payments for purchase of investments in subsidiaries	(101,927,250)	(152,890,875)	(57,051,520)	(85,577,280)
Loans granted to subsidiaries	(10,936,765)	(16,405,148)	(1,466,746)	(2,200,119)
Other loans granted	(62,191,540)	(93,287,310)	–	–
Repayment of other loans	6,629,250	9,943,875	–	–
Net cash used in investing activities	**(168,426,305)**	**(252,639,458)**	**(58,518,266)**	**(87,777,399)**
FINANCING ACTIVITIES				
Issue of shares	221,924,135	332,886,203	59,833,000	89,749,500
Proceeds from borrowings	–	–	1,317,841	1,976,762
Repayment of borrowings	(1,317,841)	(1,976,762)	–	–
Net cash generated from financing activities	**220,606,294**	**330,909,441**	**61,150,841**	**91,726,262**
Net increase in cash and cash equivalents	54,650,918	81,976,377	134,978	202,467
Cash and cash equivalents at beginning of year / period	134,978	202,467	–	–
Cash and cash equivalents at end of year / period	**54,785,896**	**82,178,844**	**134,978**	**202,467**

Exchange rate used for transaction 1 MAURITIUS RS. = INR 1.5000

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

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 and effective for accounting periods beginning on 01 January 2006. 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 year.

In addition, the Company has elected to adopt IFRS 7 "Financial Instruments: Disclosures" in advance of its effective date of 01 January 2007. The impact of the new Standard has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments.

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 owns 100%, 100% and 51% of the share capital of Shrenuj U.K. Limited, Shrenuj (Jewellery Outsourcing) Limited and Inter-gems H.K. Ltd respectively, companies registered in the United Kingdom and Hong Kong, 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, or 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 and the United Kingdom 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") and Hong Kong Dollar ("HKD") 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.

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.

3. TAXATION

The Company is subject to taxation at the rate of 22.5% (31st March, 2006 - 25%) on its chargeable income. At 31 March 2007, the Company had accumulated tax losses of MRS 842,035 (INR 1,263,053) (31 March 2006 - tax losses of Rs 290,758 (INR 436,137)) and has therefore no tax liability.

4. INVESTMENTS IN SUBSIDIARIES – COST

	2007		2006	
	MRS	INR	MRS	INR
At beginning of year / period	57,051,520	85,577,280	–	–
Additions	101,927,250	152,890,875	57,051,520	85,577,280
At end of year / period	158,978,770	238,468,155	57,051,520	85,577,280

The subsidiaries are as follows:

Name of company	Class of shares	Nominal value	% Holding 2007	% Holding 2006	Country of incorporation	Main business
Shrenuj U.K. Limited	Ordinary	GBP 1	100%	100%	United Kingdom	Investment company
Shrenuj (Jewellery Outsourcing) Limited	Ordinary	HKD 1	100 %	–	Hong Kong	Jewellery
Inter-gems H.K. Ltd	Ordinary	HKD 1	51 %	–	Hong Kong	Trading in diamonds

There were neither disposals nor provisions for impairment on investments in subsidiaries during the year under review.

5. TRADE AND OTHER RECEIVABLES

	2007		2006	
	MRS	INR	MRS	INR
Loans to subsidiaries (Note 11)	13,123,584	19,685,376	1,481,458	2,222,187
Other loans (Note 11)	55,505,000	83,257,500	–	–
Other receivables	122,438	183,657	–	–
Prepayments	–	–	58,988	88,482
	68,751,022	103,126,533	1,540,446	2,310,669

The loans to subsidiaries and other loans are unsecured, interest free and repayable on demand.

6. SHARE CAPITAL

	Number of shares	Share capital MRS	Share capital INR
At 31 March 2006	598,330	59,833,000	89,749,500
Issued during the year	2,219,241.35	221,924,135	332,886,203
At 31 March 2007	2,817,571.35	281,757,135	422,635,703

All issued shares are fully paid.

7. OTHER RESERVES

	2007		2006	
	MRS	INR	MRS	INR
Unrealised gain/(loss) on exchange				
At beginning of year / period	(2,281,000)	(3,421,500)	–	–
Movement during the year / period	3,111,499	4,667,249	(2,281,000)	(3,421,500)
At end of year / period	**830,499**	**1,245,749**	**(2,281,000)**	**(3,421,500)**
Unrealised gain on revaluation				
At beginning of year / period	14,712	22,068	–	–
Movement during the year / period	141,224	211,836	14,712	22,068
At end of year / period	**155,936**	**233,904**	**14,712**	**22,068**
Total	**986,435**	**1,479,653**	**(2,266,288)**	**(3,399,432)**

8. BORROWINGS

	2007		2006	
	MRS	INR	MRS	INR
Non-current				
Loans from group companies:				
- holding company	–	–	1,317,841	1,976,762
	–	–	**1,317,841**	**1,976,762**

The borrowings are unsecured, interest-free and repayable on demand. The loan from the holding company was repaid in full during the year under review.

9. TRADE AND OTHER PAYABLES

	2007		2006	
	MRS	INR	MRS	INR
Accrued expenses	356,538	534,807	132,435	198,653

10. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of investments, receivables, bank balances, payables and borrowings 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.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets		Financial liabilities	
	2007 MRS	2006 MRS	2007 MRS	2006 MRS
Denominated in:				
Hong Kong Dollar ("HKD")	16,391,144	–	–	–
British Pound Sterling ("GBP")	155,711,210	58,368,615	–	–
United States Dollar ("USD")	110,413,270	299,286	356,538	132,435
Euro	64	55	–	1,317,841
	282,515,688	58,667,956	356,538	1,450,276

	Financial assets		Financial liabilities	
	2007 INR	2006 INR	2007 INR	2006 INR
Denominated in:				
Hong Kong Dollar ("HKD")	24,586,716	–	–	–
British Pound Sterling ("GBP")	233,566,815	87,552,923	–	–
United States Dollar ("USD")	165,619,905	448,929	534,807	198,653
Euro	96	83	–	1,976,762
	423,773,532	88,001,935	534,807	2,175,415

11. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(i) Loans to subsidiaries	2007		2006	
	MRS	INR	MRS	INR
Shrenuj U.K. Limited:				
At beginning of year / period	1,481,458	2,222,187	–	–
Loans granted during the year / period	–	–	1,466,746	2,200,119
Unrealised gain on revaluation	214,626	321,939	14,712	22,068
At end of year / period	1,696,084	2,544,126	1,481,458	2,222,187
Inter-gems H.K. Ltd:				
At beginning of year / period	–		–	–
Loans granted during the year/ period	10,936,765	16,405,148	–	–
Unrealised gain on revaluation	490,735	736,103	–	–
At end of year / period	11,427,500	17,141,251	–	–
Total loans to subsidiaries (Note 5)	**13,123,584**	**19,685,377**	**1,481,458**	**2,222,187**

	2007 MRS	2007 INR	2006 MRS	2006 INR
(ii) **Other loans**				
Astral Jewels, LLC:				
At beginning of year / period	–	–	–	–
Loans granted during the year / period	6,629,250	9,943,875	–	–
Repaid during the year/period	(6,629,250)	(9,943,875)	–	–
At end of year / period	**–**	**–**	**–**	**–**
Daily Jewellery Limited		–		
At beginning of year / period	–			
Loans granted during the year/ period	55,562,290	83,343,435		
Unrealised loss on revaluation	(57,290)	(85,935)		
At end of year / period	**55,505,000**	**83,257,500**		
Total other loans (Note 5)	**55,505,000**	**83,257,500**		

The loans to subsidiaries and other loans were provided unsecured, interest free and are repayable on demand.

(iii) Loans from related parties	2007 MRS	2007 INR	2006 MRS	2006 INR
Loan from holding company:				
At beginning of year / period	1,317,841	1,976,762	–	–
Loans received during the year/ period	–		1,317,841	1,976,762
Repaid during the year / period	(1,317,841)	(1,976,762)	–	–
At end of year / period	**–**	**–**	**1,317,841**	**1,976,762**

The loan from Shrenuj & Company Limited was provided unsecured, interest free and is repayable on demand. The loan was repaid in full during the year under review.

12. SUBSEQUENT EVENTS

(i) Investment in subsidiary

In a Shareholder's meeting dated 14 March 2007, it was decided that the Company will acquire 100% of the share capital of Burnet Holdings (Proprietary) Limited, a company registered in Botswana, for a total consideration of MRS 653 (INR 980) (USD 20).

The investment was subsequently made on 02 April 2007.

(ii) Other loans

In a Shareholder's meeting dated 20 March 2007, it was decided that the Company will grant a loan of MRS 32,650,000 (INR 48,975,000) (USD 1,000,000) to Daily Jewellery Limited.

The loan was subsequently disbursed on 05 April 2007 and was provided unsecured, interest free and is repayable on demand.

(iii) Loan to subsidiary

On 11 April 2007, the Company granted a loan of MRS 653,000 (INR 979,500) (USD 20,000) to Burnet Holdings (Proprietary) Limited. The loan was provided unsecured, interest free and is repayable on demand.

13. 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.

14. HOLDING COMPANY

The Company is controlled by Shrenuj & Company Limited, a company registered in India, which owns 100% of the Company's shares.

15. INCORPORATION

The Company is registered as a private company in the Republic of Mauritius under the Companies Act 2001.

16. REGISTERED OFFICE

The registered office of the Company is Suite 308, St James Court, St Denis Street, Port Louis, Republic of Mauritius.

17. CURRENCY

The financial statements are presented in Mauritian Rupee.

18. NOTE

We have translated the Mauritius Rupees amounts into Indian Rupees at the closing rate as on 31st March 2007. The translations should not be considered as a representation that such Mauritius Rupees amounts have been, could have been or could be converted into Indian Rupees at any particular rate, the rate stated above, or at all.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholder of
Astral USA, Inc. and Subsidiaries:

We have reviewed the accompanying consolidated balance sheet of Astral USA, Inc. and Subsidiaries as of March 31, 2007, and the related consolidated statements of operations and accumulated deficit and cash flows for the year 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 consolidated financial statements is the representation of the management of Astral USA, Inc. and Subsidiaries. We did not review the financial statements of C & A Diamonds International LLC and Bernie's International LLC. These statements were reviewed by other accountants, whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for C & A Diamonds International LLC and Bernie's International LLC is based solely upon the report of the other accountants.

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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the report of the other accountants discussed above, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying consolidated financial statements is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic consolidated financial statements, but was compiled from information that is the representation of management without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

June 1, 2007
Prajapati Associates LLP.

CONSOLIDATED BALANCE SHEET MARCH 31, 2007

ASSETS	2006-07 (US $)		2006-07 INR	
Current assets				
Cash	429,972		18,742,479	
Accounts receivable, net of allowance for doubtful accounts and credits of $60,000	4,327,582		188,639,299	
Advance payment to vendor	165,000		7,192,350	
Inventories	6,992,423		304,799,719	
Prepaid expenses and taxes	114,770		5,002,824	
Loans receivable	48,211		2,101,517	
Other current assets	88,118		3,841,064	
		12,166,076		530,319,252
Property and equipment				
Furniture and fixtures	368,017		16,041,861	
Equipment	36,984		1,612,133	
Automobiles	19,876		866,395	
Leasehold improvements	7,509		327,317	
	432,386		18,847,706	
Less: accumulated depreciation	83,170		3,625,380	
		349,216		15,222,326
Other assets				
Deposits	11,254		490,562	
Investment	39,273		1,711,910	
Goodwill	1,200,000		52,308,000	
		1,250,527		54,510,472
		13,765,819		600,052,050
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities				
Notes payable – bank	2,842,967		123,924,932	
Accounts payable	4,599,402		200,487,933	
Automobile loan payable	1,169		50,957	
Accrued expenses	398,616		17,375,671	
Loans payable	1,746,434		76,127,058	
		9,588,588		417,966,551
Minority interests		496,115		21,625,653
Stockholder's equity				
Common stock; $0.01 par value, 1,500 shares authorized, 100 share issued and outstanding	1		44	
Additional paid-in capital	3,999,999		174,359,956	
Accumulated deficit	(318,884)		(13,900,154)	
		3,681,116		160,459,846
		13,765,819		600,052,050

Exchange rate used for translation 1 USD = INR 43.5900

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT FOR THE YEAR ENDED MARCH 31, 2007

	2006-07 (US $)		2006-07 INR	
Net sales		11,525,246		502,385,473
Cost of sales		(9,405,040)		(409,965,694)
Gross profit		**2,120,206**		**92,419,779**
Operating expenses		(2,348,199)		(102,357,994)
Loss from operations		(227,993)		(9,938,215)
Other income (expense)				
Interest income	1,387		60,459	
Commissions income	195,047		8,502,099	
Other income	825		35,962	
Allocated income from investment	11,095		483,631	
Interest expense	(173,650)		(7,569,404)	
		34,704		1,512,747
Loss before provision for income taxes and minority interests		(193,289)		(8,425,468)
Provision for income taxes		(4,174)		(181,945)
Loss before minority interests		(197,463)		(8,607,413)
Minority interests		(29,149)		(1,270,605)
Net loss		(226,612)		(9,878,018)
Accumulated deficit – beginning		(92,272)		(4,022,136)
Accumulated deficit – end		(318,884)		(13,900,154)

Exchange rate used for translation 1 USD = INR 43.5900

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

	2006-07 (US $)		2006-07 INR	
Cash flows from operating activities				
Net loss		(226,612)		(9,878,017)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation	59,121		2,577,084	
Allowances for doubtful accounts and credits	35,000		1,525,650	
Income allocated to minority interests	29,149		1,270,605	
Undistributed earnings of affiliate	(11,095)		(483,631)	
Changes in assets and liabilities				
Accounts receivable	(2,759,201)		(120,273,572)	
Advance payment to vendor	(165,000)		(7,192,350)	
Inventories	(1,292,754)		(56,351,147)	
Prepaid expenses and taxes	(9,552)		(416,372)	
Other current assets	(77,284)		(3,368,810)	
Accounts payable	(1,436,566)		(62,619,912)	
Accrued expenses	312,128		13,605,660	
		(5,316,054)		(231,726,795)
Net cash used in operating activities		(5,542,666)		(241,604,812)
Cash flows from investing activities				
Net increase in loans receivable	(48,211)		(2,101,517)	
Capital expenditures	(61,434)		(2,677,908)	
Net increase in deposits	(9,454)		(412,100)	
Investment in affiliate	(30,000)		(1,307,700)	
Net cash used in investing activities		(149,099)		(6,499,225)
Cash flows from financing activities				
Net increase in notes payable – bank	1,542,967		67,257,932	
Principal payments of automobile loan payable	(3,369)		(146,855)	
Principal payments of equipment lease payable	(1,016)		(44,287)	
Net increase in loans payable	927,010		40,408,366	
Capital contributions	3,280,000		142,975,200	
Net cash provided by financing activities		5,745,592		250,450,356
Net change in cash		53,827		2,346,319
Cash at beginning		376,145		16,396,161
Cash at end		429,972		18,742,480
Supplemental disclosure of cash flows information				
Cash paid for interest		173,650		7,569,404
Cash paid for income taxes		1,524		66,431

Exchange rate used for translation 1 USD = INR 43.5900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007

Note 1

Basis of reporting: The accompanying consolidated financial statements represent the operations of Astral USA, Inc., Shrenuj USA, LLC, Astral Jewels LLC, C & A Diamonds International LLC and Bernie's International LLC (collectively the "Companies"). Astral USA, Inc. ("Astral USA"), a wholly owned subsidiary of Shrenuj & Company Limited ("Parent") was incorporated on March 7, 2005 in Delaware. Shrenuj USA, LLC ("Shrenuj USA") is a limited liability company that was formed on March 7, 2005 in Delaware. Astral Jewels LLC ("Astral Jewels") is a limited liability company that was formed on March 31, 2006 in New York, C & A Diamonds International LLC ("C & A") is a limited liability company that was formed on May 1, 2005 in Delaware. Bernie's International LLC ("Bernie's") is a limited liability company that was formed on May 1, 2005 in Delaware. The Companies are importers and wholesalers of diamonds and jewelry whose customers are located primarily throughout the United States. All material intercompany transactions and balances have been eliminated.

Note 2

Summary of significant accounting policies: The Companies' accounting policies are in accordance with accounting principles generally accepted in the United States of America. Outlined below are those policies considered particularly significant.

Concentration of credit risk: Financial instruments, which potentially subject the Companies to concentrations of credit risk, include cash and receivables. The Companies hold no collateral for these financial instruments. The Companies place their available funds into high creditworthy financial institutions. Concentration of credit risk with respect to receivables is limited to a diversified customer base, which is not concentrated in any one geographical area.

Revenue recognition: The Companies recognize revenue when merchandise is shipped to their customers and title has passed.

Allowances for doubtful accounts and credits: The Companies maintain allowances for doubtful accounts and credits based on past experience and current economic conditions.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. Market is considered as net realizable value.

Property, equipment and depreciation: Property and equipment are stated at cost. Depreciation is provided using either the straight-line or an accelerated method over the estimated useful lives of the related assets.

Goodwill: The Companies account for goodwill on the basis of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which requires the Companies to review intangible assets annually for impairment. If, based on these reviews, the related assets are found to be impaired, their carrying value will be adjusted through a charge to earnings.

Advertising: Advertising costs are expensed and accrued in the period that advertising takes place.

Shipping expenses: The Companies include shipping expenses associated with outbound freight in operating expenses.

Income taxes: The Companies recognize deferred taxes based on the differences between the financial statement and the tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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

Note 3

Inventories: At March 31, 2007, inventories of $6,992,423 (INR 304,799,719) consisted of raw materials, loose diamonds, work-in-process and finished jewelry.

Note 4

Loans receivable: At March 31, 2007, C & A had outstanding loans receivable from employees of $48,211 (INR 2,101,517). These loans are due on a demand basis, bearing no interest.

Note 5

Goodwill: Goodwill represents the excess of the cost of investments by C & A and Bernie's over the fair market value of identifiable net assets at the dates of acquisition. The management of C & A and Bernie's consider the value of this goodwill has been retained and has not been impaired.

Note 6

Investment: Astral USA owns approximately 33.33% of Trapz, LLC ("Trapz") which has been accounted for using the equity method of accounting. Trapz is an importer and wholesaler of diamonds.

Note 7

Notes payable – bank: C & A has a credit facility with a bank, which is utilized for working capital purposes. The notes payable to the bank bear interest as a function of the bank's prime rate and are due on a demand basis. At March 31, 2007, notes payable of $2,842,967 (INR 123,924,932) were secured by substantially all assets of C & A, various guarantees and subordinations.

Note 8

Automobile loan payable: At March 31, 2007, Bernie's had an automobile loan payable of $1,169 (INR 50,957), payable in monthly installments of $296 (INR 12,903) (including principal and interest) through July 2007. This loan bears interest at a rate of 5.91% per annum.

Note 9

Loans payable: At March 31, 2007, the Companies had outstanding loans payable to two unrelated parties of $1,746,434 (INR 76,127,058). One of the loans payable to an unrelated individual of $27,000 (INR 1,176,930) are payable in monthly installments of $3,333 (INR 145,285) through December 2008, bearing no interest. All other loans are due on a demand basis, bearing no interest.

Note 10

Income taxes: For income tax purposes, C & A and Bernie's are treated as partnerships, whereby income is taxed directly to the members. Thus, no provision for federal and state income taxes has been made since such taxes are the responsibility of the members. Shrenuj USA and Astral Jewels are single member limited liability companies and are treated as disregarded entities for income tax purposes.

For the year ended March 31, 2007, the net provision for income taxes of $4,174 (INR 181,945) consisted of the following:

	Federal	State and local	Total
Current	$ –	$4,174	$4,174
Deferred	–	–	–
	$ –	$4,174	$4,174

At March 31, 2007, the significant component of the net deferred tax assets was the allowances for doubtful accounts and credits, which was offset in full by a valuation allowance.

Note 11

Related party transactions: In the ordinary course of business, the Companies had the following related party transactions:

(a) For the year ended March 31, 2007, the Companies made sales to various related parties of $462,874 (INR 20,176,678).

(b) For the year ended March 31, 2007, the Companies made purchases from various related parties of $9,834,821 (INR 428,699,847).

(c) At March 31, 2007, accounts receivable from various related parties were $196,142 (INR 8,549,830).

(d) At March 31, 2007, accounts payable to various related parties were $4,090,961 (INR 178,324,990).

(e) At March 31, 2007, other current assets included commissions receivable from the Parent of $88,117 (INR 3,841,020).

(f) For the year ended March 31, 2007, Shrenuj USA earned commission income of $195,047 (INR 8,502,099) from the Parent. These amounts are reflected in the statement of income.

(g) At March 31, 2007, accrued expenses included commissions payable to the Parent of $229,722 (INR 10,013,582).

(h) For the year ended March 31, 2007, Shrenuj USA paid commissions of $229,722 (INR 10,013,582) to the Parent. These amounts are reflected in the statement of income.

Note 12

Leases: The Companies are obligated under various operating leases for the rental of office premises, equipment and automobile. For the year ended March 31, 2007, rent expense was $100,070 (INR 4,362,051). At March 31, 2007, the future minimum lease payments were as follows:

March 31, 2008	$129,463	INR 5,643,292
March 31, 2009	68,595	2,990,056
March 31, 2010	42,623	1,857,937
March 31, 2011	37,889	1,651,582
August 31, 2011	15,757	686,848
	$294,327	INR 12,829,715

Note 13

Economic dependency: For the year ended March 31, 2007, purchases from three vendors represented approximately 69% of net purchases.

Note 14

Disclaimer - Convenience Translation: We have translated the USD amounts into Rupees at the closing rate as on 31st March 2007. The translations should not be considered as a representation that such USD amounts have been, could have been or could be converted into INR at any particular rate, the rate stated above, or at all.

SUPPLEMENTARY INFORMATION

CONSOLIDATED STATEMENT OF OPERATING EXPENSES

Operating expenses	US $	INR
Salaries and benefits	631,011	27,505,769
Payroll and other taxes	118,849	5,180,628
Commissions	498,674	21,737,200
Rent and utilities	114,972	5,011,629
Telephone	23,272	1,014,426
Insurance	74,181	3,233,550
Travel and entertainment	136,906	5,967,733
Advertising and promotional	146,421	6,382,491
Trade shows	99,867	4,353,203
Office and miscellaneous expenses	109,895	4,790,323
Repairs and maintenance	13,848	603,634
Shipping expenses	54,356	2,369,378
Dues and subscriptions	7,556	329,366
Security system expenses	7,887	343,794
Equipment lease	3,467	151,127
Outside services	73,247	3,192,837
Professional fees	72,502	3,160,362
Bank charges	21,652	943,811
Bad debts	80,515	3,509,649
Depreciation	59,121	2,577,084
	2,348,199	102,357,994

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

In our opinion, the financial statements of the Company Shrenuj Japan Corporation present failry, in all material respects in conformity with accounting principles generally accepted in Japan.

Sakuraba CPA Office
Tokyo, Japan
May 30, 2007

BALANCE SHEET

Shrenuj Japan Corporation
The First Period
(As of March 31,2007)

(Amt. in thousands)

Account Titles	Amount YEN	Amount INR
Current Assets		
Cash on hand	69	25
Cash in banks	9,615	3,539
Prepaid expenses	233	86
Others	729	268
Total Current Assets	10,646	3,918
Fixed Assets		
Tangible Fixed Assets	1,971	726
Buildings and attached structures	281	103
Tools,furniture and fixtures	1,732	638
Less:Accumulated depreciation	(42)	(15)
Investments and Other Assets	750	276
Guaranty deposits paid	750	276
Total Fixed Assets	2,721	1,002
Total Assets	13,367	4,920
Current Liabilities		
Short-term loans	1,453	535
Accounts payable-others	3,183	1,172
Deposits received	96	35
Accrued corporation tax,etc	17	6
Total Current Liabilities	4,749	1,748
Fixed Liabilities		
Long-term loans	0	0
Total Fixed Liabilities	0	0
Total Liabilities	4,749	1,748
Stockholders' equity		
Capital Stock	12,693	4,672
Earned Surplus	(4,075)	(1,500)
Total Stockholders' Equity	8,618	3,172
Total Net-assets	8,618	3,172
Total Liabilities and Net-assets	13,367	4,920

Exchange rate used for translation 1 Yen = INR 0.3681

PROFIT AND LOSS STATEMENT

Shrenuj Japan Corporation
The First Period
(December 25,2006 - March 31,2007)

(Amt. in thousands)

Account Titles	Amount YEN	Amount INR
Sales	0	0
Cost of Sales	0	0
Gross Profit on Sales	0	0
Selling and General Administrative Expenses		
Rent and repair expenses	257	95
Traveling expenses	679	250
Office supplies	1,236	455
Consulting charge to CPA	956	352
Registration tax and stamps	262	96
Sales promotion expenses	70	26
Depreciation expenses	42	15
Bank charges	28	10
Other expenses	528	195
S.G.A. Total	4,058	1,494
Operating Income	(4,058)	(1,494)
Non-Operating Revenues	0	0
Non-Operating Expenses	0	0
Ordinary Income	(4,058)	(1,494)
Extrodinary Profits	0	0
Extrodinary Losses	0	0
Net Income before Taxes	(4,058)	(1,494)
Corporation tax and inhabitant taxes	17	6
Net Income	(4,075)	(1,500)

Exchange rate used for translation 1 Yen = INR 0.3681

Note:

We have translated the YEN amounts into Rupees at the closing rate as on 31st March 2007. The translations should not be considered as a representation that such YEN amounts have been, could have been or could be converted into INR at any particular rate, the rate stated above, or at all.

Notes

Shrenuj & Company Limited
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