

AUDITORS' REPORT

To,

The Members of
C. MAHENDRA EXPORTS LIMITED

1. We have audited the attached balance sheet of C. Mahendra Exports Limited ('the Company') as at 31 March 2010, the profit and loss account and cash flow statement of the Company for the financial 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, on the basis of such checks of books of account and records of the Company, as we considered necessary and appropriate, and according to information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 *except*;



Suresh Surana & Associates

Chartered Accountants

- i) *Accounting Standard (AS)-2 'Valuation of Inventories' for reasons mentioned in note 3 of Schedule '15'. The impact of which on the profit for the year, reserves and surplus and inventories as at 31 March 2010 could not be ascertained;*
 - ii) *Accounting Standard (AS)-10 "Accounting for Fixed Assets" and (AS)-6 "Depreciation" for reason mentioned in note 4 of Schedule '15'. The impact of which on the profit for the year, reserves and surplus and fixed assets (gross block, accumulated depreciation and net block) as at 31 March 2010 could not be ascertained.*
- e) On the basis of written representations received from the directors of the Company, as on 31 March 2010 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- f) In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 4(d) above, the impact whereof on the profit for the year, reserves and surplus, fixed assets and inventories as at 31 March 2010 could not be ascertained*, the said accounts read together with other notes thereon in Schedule '15', 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:
- i. in the case of balance sheet, of the state of affairs of the Company as at 31 March 2010;
 - ii. in the case of profit and loss account, of the profit for the year ended on that date; and
 - iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants



(Nirmal Jain)

PARTNER

Membership No. 34709

Firm Reg. No.: 121750W

Mumbai, Dated: 6 JUL 2010



ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN

PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Certain fixed assets have been verified by the management in accordance with a phased program of verification, whereby each asset would be verified at least once in three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off a substantial part of the fixed assets.
- (ii) (a) According to information and explanations given to us, the inventory has been physically verified by the management during the year. 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.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(b), 4(c) and 4(d) of the Order are not applicable.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies or firms covered in the register maintained under section 301 of the Companies Act, 1956. In respect of unsecured loans taken from twenty five parties covered in the said register maximum amount involved during the year was Rs.2,028,013,582 and the aggregate year-end balance was Rs.621,964,619.
- (c) According to information and explanations given to us, in our opinion, the rate of interest and other terms and conditions on which loans have been taken are prima facie, not prejudicial to the interest of the Company.
- (d) According to information and explanations given to us, the Company is regular in paying the interest where applicable and there are no fixed repayment schedule for principal amounts.
- (iv) 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 with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.



Suresh Surana & Associates

Chartered Accountants

- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been so entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, in our opinion, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five lakhs 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.
- (vi) According to the information and explanations given to us, in our opinion, the Company has not accepted any deposits from the public, to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed thereunder are applicable.
- (vii) According to the information and explanations given to us, in our opinion, the Company has an internal audit system, which is commensurate with the size of the Company and the nature of its business.
- (viii) As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the case of any of the activities of the Company.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it with appropriate authorities. There are no arrears in this respect as at 31/03/2010 for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us, there are no dues in respect of wealth tax, income tax, excise duty and cess, which have not been deposited on account of any dispute. The dues of service tax and custom duty as disclosed below have not been deposited by the Company on account of dispute:

Name of the statute	Nature of dues	Amount Rs.	Period to which it relates	Forum where dispute is pending
Custom Act, 1962	Penalty	11,000,000	2007-2008	Appellate Tribunal
Finance Act, 1994 (Service tax provisions)	Service tax	241,156	2006-2007	High Court
Income Tax Act, 1961	Income tax	446,962	2003-2004	Commissioner of Income Tax

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year and in the immediately preceding financial year.

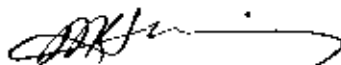


Suresh Surana & Associates

Chartered Accountants

- (xi) According to the information and explanations given to us, in our opinion, the Company has not defaulted in repayment of dues to banks. Interest accrued and due of Rs.11,942,789 on secured loans from banks outstanding as on 31 March 2010 is interest relating to current year debited by banks after the year end. There are no dues to financial institutions and debenture holders.
- (xii) According to the information and explanations given to us, in our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to information and explanations given to us, in our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion, according to the information and explanations given to us and based on examination of books of account of the Company, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that as at 31 March 2010 no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has made any preferential allotment of preference shares to the parties covered in the register maintained under section 301 of the Companies Act, 1956 and in our opinion, the price at which such shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during course of our audit.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants



(Nirmal Jain)
PARTNER

Membership No.34709

Firm Reg. No.: 121750W

Mumbai, Dated:

6 JUL 2010



C. MAHENDRA EXPORTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2010

	Schedule	Rs.	As at	As at
			31/03/2010	31/03/2009
			Rs.	Rs.
SOURCES OF FUNDS				
Shareholders' funds				
Share capital	1	575,000,000	300,000,000	
Reserves and surplus	2	2,766,967,071	1,580,484,885	1,880,484,885
			3,341,967,071	
Loans funds				
Secured loans	3	8,217,181,361	8,564,598,018	
Unsecured loans		822,013,266	1,621,961,978	10,386,559,996
			8,839,194,627	
Deferred tax liabilities (net)			149,869,298	152,331,794
Total funds employed			12,331,030,996	12,419,376,675
APPLICATION OF FUNDS				
Fixed assets				
(refer note 4 of Schedule '15')	4			
Gross block		1,421,053,583	1,405,389,031	
Less: Depreciation		297,568,953	207,034,249	
Net block		1,123,484,630	1,198,354,782	
Add: Capital work in progress / capital advances		37,542,322	22,687,275	1,221,042,057
			1,161,026,952	
Investments	5		181,832,599	181,832,599
Current assets, loans and advances				
Inventories	6	3,846,093,770	3,690,975,922	
Sundry debtors		9,560,008,872	8,469,210,268	
Cash and bank balances		183,935,315	109,341,714	
Other current assets		342,186	169,872	
Loans and advances		455,623,340	291,034,929	
Total (A)		14,146,003,483	12,560,732,705	
Current liabilities and provisions				
Current liabilities	7	3,019,921,311	1,452,843,058	
Provisions		137,910,727	91,387,628	
Total (B)		3,157,832,038	1,544,230,686	
Net current assets (A-B)			10,988,171,446	11,016,502,019
Total funds utilised			12,331,030,996	12,419,376,675

Accounting policies and notes forming part of the accounts 15

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

(Nirmal Jain)
PARTNER
Membership No.: 34709
Mumbai; Dated:



6 JUL 2010

On behalf of the Board of directors

Directors

Mumbai; Dated: 6 JUL 2010

Company Secretary

G. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2010

	Rs.	As at 31/03/2010 Rs.	Rs.	As at 31/03/2009 Rs.
SCHEDULE '1'				
SHARE CAPITAL				
Authorised				
62,500,000 (45,000,000) Equity shares of Rs.10 each		625,000,000		450,000,000
12,500,000 (-) 6% Redeemable Preference shares of Rs.10 each		125,000,000		-
		<u>750,000,000</u>		<u>450,000,000</u>
Issued, subscribed and paid up				
45,000,000 (30,000,000) Equity shares of Rs.10 each fully paid up		450,000,000		300,000,000
(Out of the above 25,000,000 equity shares were issued to the Partners of erstwhile partnership firm M/s. C. Mahendra Exports on conversion under Part IX of The Companies Act, 1956)				
(Out of the above 15,000,000 (-) equity shares are allotted as fully paid up bonus shares by capitalisation of balance in profit and loss account)				
12,500,000 (-) 6% Redeemable Preference shares of Rs.10 each fully paid up		125,000,000		-
(6% Redeemable Preference shares shall be redeemable in 3 equal installments commencing from 7th, 8th and 9th year from the date of issue i.e. 27/03/2010)				
		<u>575,000,000</u>		<u>300,000,000</u>
SCHEDULE '2'				
RESERVES AND SURPLUS				
Securities premium account				
Opening balance	950,000,000		950,000,000	
Add: Received during the year	<u>1,125,000,000</u>		-	
		2,075,000,000		950,000,000
Profit and loss account		691,967,071		630,484,885
		<u>2,766,967,071</u>		<u>1,580,484,885</u>



C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2010

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '3'		
LOANS FUNDS		
SECURED LOANS		
From banks:		
Working capital loans	7,923,064,034	8,192,136,011
(Secured by hypothecation of whole of the current assets of the Company consisting of stocks, bills receivable, book debts, moveable plant and machinery and other moveables as well as the equitable mortgage of various properties including land & building standing in the name of the Company, directors, relatives and associate companies and lien on fixed deposits with the bank and keyman insurance policies and deposits with Bharat Diamond Bourse)		
Term loans	261,875,000	351,375,000
(Secured by hypothecation of plant and machinery, book debts and other moveable assets, equitable mortgage of land on which Wind Mill project is erected and personal guarantee of directors, relatives and corporate guarantee of associate companies)		
(Repayable within a year Rs.89,500,000; previous year Rs.89,500,000)		
Demand loans	18,778,956	-
(Secured by personal guarantee of directors and their relatives)		
Vehicle loan	1,520,582	-
(Secured by hypothecation of vehicle)		
Interest accrued and due on the above	<u>11,942,789</u>	<u>21,087,007</u>
	8,217,191,361	8,564,598,018
UNSECURED LOANS		
Short term:		
From directors*	186,006,004	613,862,203
From shareholders*	391,247,569	1,163,083,411
From relatives of directors / shareholders	<u>44,759,893</u>	<u>45,016,364</u>
	622,013,266	1,821,961,978
* Interest free		
The above loans have no fixed repayment schedule.		
	<u>8,839,194,627</u>	<u>10,386,559,996</u>



C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2010

SCHEDULE '4'
FIXED ASSETS

Particulars	GROSS BLOCK (Refer note 4 of Schedule '15')			DEPRECIATION AND AMORTISATION (Refer note 4 of Schedule '15')				NET BLOCK		
	As at 01/04/2009 Rs.	Additions Rs.	Deductions Rs.	As at 31/03/2010 Rs.	Upto 31/03/2009 Rs.	For the year Rs.	Deductions Rs.	Upto 31/03/2010 Rs.	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Land - freehold	20,964,601	-	-	20,964,601	-	-	-	-	20,964,601	20,964,601
Leasehold Land	1,690,000	-	-	1,690,000	133,792	84,500	-	218,292	1,471,708	1,556,208
Building (refer note 6 of Schedule '15')	462,310,987	2,974,296	-	465,285,293	58,314,246	22,822,349	-	81,136,595	384,148,698	403,996,751
Plant and machinery	247,156,277	6,370,661	-	253,526,938	64,440,051	25,701,107	-	90,141,158	163,385,780	182,716,226
Windmills	625,092,137	-	-	625,092,137	65,909,269	33,004,866	-	98,914,135	526,178,002	559,182,868
Furniture and fittings	11,427,620	148,948	-	11,576,568	2,443,493	1,608,500	-	4,051,993	7,524,775	8,984,327
Computer	15,299,299	2,684,245	-	17,983,544	6,859,678	3,697,411	-	10,557,089	7,426,455	8,439,621
Vehicles #	21,447,900	3,486,402	-	24,934,302	8,933,720	3,615,971	-	12,549,691	12,384,611	12,514,180
Total	1,405,389,031	15,564,552	-	1,421,053,583	207,034,249	90,534,704	-	297,568,953	1,123,484,630	1,198,354,782
..... Previous Year	1,375,401,810	30,699,399	711,178	1,405,389,031	112,065,537	95,263,115	314,403	207,034,249	1,198,354,782	

Vehicles having gross block of Rs.3,758,426; as at 31/03/2008 Rs.2,580,451 are not registered in Company's name.



C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2010

	As at 31/03/2010	As at 31/03/2009
Rs.	Rs.	Rs.
SCHEDULE '5'		
INVESTMENTS (At cost)		
(Trade, Unquoted and Long-term):		
In Subsidiaries:		
112,800 Equity Shares of Rs. 10 each fully paid up in C. Mahendra International Limited	20,128,000	20,128,000
87 Equity Shares of EUR 186 each fully paid up in C. Mahendra B.V.B.A.	161,704,599	161,704,599
	<u>181,832,599</u>	<u>181,832,599</u>
SCHEDULE '6'		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories		
(As taken, valued and certified by the management)		
Raw materials - Rough diamonds	658,580,481	1,066,820,036
Finished goods - Polished diamonds (includes goods with custom authority Rs.138,304; previous year Rs.138,304)	3,284,694,859	2,622,347,675
Consumables, stores and spares	<u>1,818,430</u>	<u>1,808,211</u>
	3,946,093,770	3,690,975,922
Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for period exceeding six months	2,419,876,090	3,529,072,533
Others debts	<u>7,140,132,782</u>	<u>4,940,137,735</u>
	9,560,008,872	8,469,210,268
Cash and Bank Balances		
Cash on hand	2,583,768	2,286,212
Bank balances with schedule banks:		
- In current accounts	10,000,886	12,067,187
- in EEFC accounts	561,719	812
- in fixed / margin money deposit accounts (under lien with banks)	<u>170,768,943</u>	<u>94,987,503</u>
	183,835,315	109,341,714
Other Current Assets		
Interest accrued but not due	342,166	169,872
Total (A)	<u>13,690,380,143</u>	<u>12,289,897,776</u>



C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2010

	As at 31/03/2010	As at 31/03/2009
Rs.	Rs.	Rs.
LOANS AND ADVANCES		
(Unsecured, considered good)		
Loans to staff	2,909,394	3,633,671
Advances to suppliers	108,696,871	-
Advances recoverable in cash or in kind or for value to be received	106,257,129	107,401,429
Deposits	49,590,891	34,619,459
MAT credit entitlement	64,579,911	61,279,911
Taxes paid (including fringe benefit tax)	123,589,144	84,100,459
Total (B)	<u>455,623,340</u>	<u>281,034,929</u>
Total (A+B)	<u>14,146,003,483</u>	<u>12,560,732,705</u>

SCHEDULE '7'

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Acceptances	483,220,471	-
Sundry creditors (refer note 21 of Schedule '15')	2,522,736,929	1,446,904,474
Advances from customers	3,528,439	27,474
Interest accrued but not due	5,936,096	4,189,398
Other liabilities	4,499,376	1,721,712
	<u>3,019,921,311</u>	<u>1,452,843,058</u>

PROVISIONS

Provision for gratuity	5,905,442	6,707,343
Provision for income tax	129,410,647	82,410,647
Provision for wealth tax	325,000	-
Provision for fringe benefit tax	2,269,638	2,269,838
	<u>137,910,727</u>	<u>91,387,628</u>
	<u>3,157,832,038</u>	<u>1,544,230,686</u>



C. MAHENDRA EXPORTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Schedule	Current Year 2009-2010		Previous Year 2008-2009	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Sales and income from operations	8		15,646,760,826		14,132,424,826
Other income	9		11,922,778		113,166,946
Increase/(decrease) in stocks	10		662,347,184		65,545,901
			<u>16,321,030,786</u>		<u>14,311,137,473</u>
EXPENDITURE					
Cost of materials	11		14,396,020,686		12,707,501,946
Employees' remuneration and benefits	12		99,610,543		139,968,120
Manufacturing and other expenses	13		796,662,950		437,021,944
Interest expenses	14		685,167,213		690,370,828
Depreciation and amortisation			90,534,704		95,263,115
			<u>16,067,986,096</u>		<u>14,070,125,953</u>
PROFIT / (LOSS)					
Profit before taxation			253,044,690		241,011,520
Provision for taxation:					
- Current tax		(47,000,000)		(30,000,000)	
- MAT credit entitlement		3,300,000		10,000,000	
- Deferred tax		2,462,496		(21,066,058)	
- Fringe benefit tax		-		(1,000,000)	
- Wealth tax		(325,000)		-	
			<u>(41,862,504)</u>		<u>(42,066,058)</u>
Profit after taxation			211,482,186		198,945,462
Balance brought forward from previous year			630,484,885		431,539,423
Surplus available for appropriation			<u>841,967,071</u>		<u>630,484,885</u>
APPROPRIATIONS					
Utilised for bonus share issued during the year			150,000,000		-
Balance carried to balance sheet			<u>691,967,071</u>		<u>630,484,885</u>
			<u>841,967,071</u>		<u>630,484,885</u>
Basic and diluted earnings per share			4.70		4.42
Nominal value of equity shares			10.00		10.00

Accounting policies and notes forming part of the accounts 15

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants



(Nimal Jain)
PARTNER
Membership No.: 34709
Mumbai, Dated:



6 JUL 2010

On behalf of the Board of directors



Directors



Company Secretary

Mumbai, Dated: 6 JUL 2010

C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Current Year 2009-2010		Previous Year 2008-2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE '8'				
SALES AND INCOME FROM OPERATIONS				
Sales				
- Polished diamonds		14,416,574,479		13,143,514,247
- Rough diamonds		1,145,448,040		908,736,770
Sale of electricity generated from Windmills		84,738,307		82,173,809
		<u>15,646,760,826</u>		<u>14,132,424,826</u>
SCHEDULE '9'				
OTHER INCOME				
Interest on fixed deposits with banks (TDS Rs.1,580,652; previous year Rs.2,170,313)		9,561,062		10,561,156
Interest on electricity deposit		179,204		123,526
Interest - others		745,874		-
Exchange rate difference (net)		-		101,478,986
Insurance claim received		-		495,288
Service tax refund received		873,673		-
Profit on sale of fixed assets		-		212,458
Miscellaneous income		1,062,963		295,532
		<u>11,922,776</u>		<u>113,166,946</u>
SCHEDULE '10'				
INCREASE / (DECREASE) IN STOCKS				
Closing stock - Polished diamonds		3,284,694,859		2,622,347,675
Less: Opening stock - Polished diamonds		2,622,347,675		2,556,801,774
		<u>662,347,184</u>		<u>65,545,901</u>
SCHEDULE '11'				
COST OF MATERIALS				
Raw materials (rough diamonds):				
Opening stock		1,066,820,036		1,394,268,860
Add: Purchases		5,087,387,444		5,079,485,603
		<u>6,154,207,480</u>		<u>6,473,754,463</u>
Less: Closing stock		559,580,481		1,066,820,036
		<u>5,494,626,999</u>		<u>5,406,934,427</u>
Purchase of finished goods - polished diamonds		8,901,393,687		7,300,567,519
		<u>14,396,020,686</u>		<u>12,707,501,946</u>
SCHEDULE '12'				
EMPLOYEES' REMUNERATION AND BENEFITS				
Salaries, bonus and allowances (Includes remuneration to directors Rs.11,160,000; previous year Rs.11,160,000)		98,482,126		130,483,266
Contribution to provident and other funds		1,952,630		5,317,238
Gratuity		(801,901)		(680,168)
Staff welfare expenses		2,977,688		4,847,784
		<u>99,610,543</u>		<u>139,968,120</u>



C. MAHENDRA EXPORTS LIMITED

SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Current Year 2009-2010		Previous Year 2008-2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE '13'				
MANUFACTURING AND OTHER EXPENSES				
Processing charges		230,724,151		262,287,040
Other manufacturing expenses		2,074,661		6,444,591
Consumables, stores and spares		6,667,043		11,779,288
Import freight, clearing and forwarding charges		724,160		1,331,096
Power and electricity		3,744,787		5,229,707
Postage and telephone expenses		3,135,953		3,958,768
Printing and stationery		678,558		905,326
Travelling and conveyance expenses		8,944,414		9,843,678
Legal and professional fees		21,237,978		19,901,236
Bank charges and commission		61,843,870		68,820,981
Rent		938,000		1,054,589
Rates and taxes		4,118,135		1,179,746
Repairs and maintenance:				
- plant and machinery	15,582,734		4,025,677	
- buildings	222,843		665,376	
- others	663,876		923,196	
		16,469,455		5,614,249
Exchange rate difference (net)		373,001,479		-
Insurance charges		4,354,279		5,805,912
Auditor's remuneration:				
- for audit fees	531,646		552,514	
- for tax audit fees	82,725		82,725	
- for taxation matters	700,407		711,505	
- for certification	73,313		-	
		1,388,091		1,346,744
Directors sitting fees		250,000		204,000
Selling and distribution expenses		13,715,495		12,993,803
Diamond grading charges		38,568,916		14,799,483
Donations		390,002		128,001
Miscellaneous expenses		2,703,523		3,393,706
		<u>796,662,960</u>		<u>437,021,944</u>
SCHEDULE '14'				
INTEREST EXPENSES				
On fixed loans		39,645,229		47,592,389
On others		645,521,984		642,778,439
		<u>685,167,213</u>		<u>690,370,828</u>



C. MAHENDRA EXPORTS LIMITED
SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

SCHEDULE '15'

ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

1. Significant accounting policies:

a) Basis of preparation of financial statements

These financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) in India under the historical cost convention (except as disclosed in note no. 4) on the accrual basis. The financial statements have been prepared to comply in all material respects with the Accounting Standards prescribed by the Companies Accounting Standards Rules, 2006 notified by the Central Government, except as disclosed in notes and the relevant provisions of the Companies Act, 1956.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets

Fixed assets are accounted at cost of acquisition (except as mentioned in note no. 4) inclusive of freight, duties, taxes, incidental expenses and borrowing cost.

d) Depreciation

The Company has been charging depreciation on written down value method except plant and machinery relating to Windmill at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on Windmill is provided on straight line method. Leasehold land is amortised over the lease period.

e) Investments

Investments intended to be held for more than one year are classified as long-term investments and other investments are classified as current investments. Long-term investments are valued at cost less provision, if any, for diminution in value, which is other than temporary. Current investments are valued at the lower of cost or market value of each separate investments.

f) Inventories

- i. Raw materials - Rough diamonds are valued at lower of cost or net realisable value. The cost is determined by weighted average method on lot wise basis. Rough diamond rejection is valued at estimated realisable value.
- ii. Finished goods - Polished diamonds are valued at lower of estimated cost as certified by directors or net realisable value.
- iii. Consumables are valued at lower of estimated cost or net realisable value.



g) Revenue recognition

- i. Revenue from exports sales is recognised when delivery of goods is physically given to customs authorities. Revenue from domestic sales is recognised when the title of goods passes to the customers, which is generally on delivery.
- ii. Income from sale of wind energy is recognised on its transmission as per terms of agreement.

h) Foreign currency transactions

- i. Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gain / loss arising on account of differences in foreign exchange rates on settlement / translation of monetary assets and liabilities are recognised in the Profit and Loss Account. Non-monetary foreign currency items are carried at cost.
- ii. The premium or discount arising at the inception of forward exchange contract is amortised as expenses or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit and Loss Account in the reporting year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the year.
- iii. Any profit or loss arising on settlement or cancellation of other derivative contracts (swaps and currency options) is recognised as income/expense for the year. The derivative contracts outstanding at the year-end, are marked to its current market value and gain/ loss on such contracts, is recognized in the profit and loss account.

i) Retirement benefits

- i. Retirement benefits in the form of provident fund and pension scheme are accounted on accrual basis.
- ii. Provision for gratuity liability is made on the basis of actuarial valuation at the end of the accounting year.
- iii. Liability for encashment of leave is recognised and charged to the profit and loss account in the year in which it is earned on accrual basis.

j) Borrowing cost

Borrowing cost directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are charged to profit and loss account.

k) Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent



that there is reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably/virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

l) Accounting for provisions and contingent liabilities

A provision is made when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. 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 possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

m) Earnings per share

The basic earnings per share (EPS) is computed by dividing the Net Profit after tax for the year available for the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. For the purpose of calculating diluted Earnings per Share, Net Profit after tax for the year available for Equity Shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.

n) Impairment

At each balance sheet date, the Company determines whether a provision should be made for impairment loss on fixed assets (including intangible assets), by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS)-28 'Impairment of Assets'. Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made.

2. Commitments and contingent liabilities not provided for:

	Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	42,140,081	15,067,515
b)	Guarantee given to banks in respect of credit facilities sanctioned to subsidiary Company (USD 50 lacs)	225,950,000	255,000,000
c)	Bond executed in favour of The President of India towards manufacture of goods for exports	10,000,000	20,000,000
d)	Bond executed in favour of The President of India towards provisional release of seized goods	30,622,000	30,622,000
e)	Disputed penalty under Customs Act	11,000,000	11,000,000
f)	Disputed service tax liability	241,156	241,156
g)	Disputed income tax liability	446,962	--



3. Valuation of inventories

In respect of the stock of finished goods (polished diamonds), cost is based on technical estimate by the management. In view of the nature of variation in the value of individual diamonds, the differentials in their costs, it is not practical to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the multiple grades, it is not practical to use specific cost. The basis of computing cost used, to avoid distortion in valuation, is to that extent a deviation from that prescribed by Accounting Standard (AS)-2 'Valuation of Inventories'. The impact on profit for the year, reserves and surplus and inventories as at 31 March 2010, due to the above deviations is not ascertainable.

4. The Company was incorporated on 4 January 2007 as C. Mahendra Exports Private Limited pursuant to conversion of the partnership firm M/s. C. Mahendra Exports under Part IX of The Companies Act, 1956. Thereafter on 14 March 2007 it was converted into C. Mahendra Exports Ltd.

Prior to its conversion, the partnership firm had revalued certain class of its fixed assets as at 1 April 2006 on the basis of valuation done by an approved valuer. The net difference between the written down value ('WDV') as per books and revalued value was Rs.306,549,580, which had been added to the WDV of the fixed assets as at 1 April 2006 with corresponding credit to Partners Current Capital Account, which was not in accordance with Accounting Standard (AS)-10 "Accounting for Fixed Assets".

On conversion into company, the written down value of fixed assets as on 3 January 2007 have been carried forward in the books of the Company as cost. Also the Company has not disclosed the details of revaluation in its financial statements and depreciation relating to the revalued amount is being charged to the profit and loss account. This is not in accordance with Accounting Standard (AS)-10 "Accounting for Fixed Assets" and (AS)-6 "Depreciation".

The Impact of the above on the profit for the year, reserves and surplus, fixed assets gross value, accumulated depreciation as at 31 March 2010 is not ascertained.

5. The arrears of dividend on 12,500,000 6% Redeemable Preference shares of Rs.10 each as on 31/03/2010 is Rs.102,740 (as at 31/03/2009 Rs.Nil).
6. Building include Rs.133,859,297 (as at 31/03/2009 Rs.130,885,001) (amount paid / revalued) representing Company's interest in respect of immovable property being developed by Bharat Diamond Bourse. No depreciation is charged on this amount as the premises are still not ready for their intended use as at 31 March 2010.
7. Amount due from subsidiaries included in sundry debtors are as follows:

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
C. Mahendra BVBA	363,400,247	433,279,274
C. Mahendra Exports (H.K.) Ltd.	901,948,660	972,606,545
C. Mahendra (NY) LLC	2,224,794,958	3,345,320,819
Ciemme Jewels Ltd.	379,512,014	321,683,618
Ciemme (NY) LLC	3,856,762	--



8. Amount due from subsidiaries included in loans and advances are as follows:

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Ciemme Jewels Ltd. (Maximum balance outstanding during the year Rs.564,094, previous year Rs.652,521)	564,094	196,427
C. Mahendra International Ltd. (Maximum balance outstanding during the year Rs.151,77)	15,177	--
C. Mahendra BVBA (Maximum balance outstanding during the year Rs.48,542,489)	48,542,489	--

9. Amount due to subsidiaries included in sundry creditors are as follows:

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
C. Mahendra BVBA	433,040,225	698,710,148
C. Mahendra Exports (H.K.) Ltd.	42,141,267	267,744,868
C. Mahendra (NY) LLC	59,511,073	453,852,284
C. Mahendra International Ltd.	--	3,400

10. Quantitative details (As certified by the Management)

a) Licenced Capacity: Not applicable

b) Installed Capacity:

- Manufacturing of polished diamonds: 240,000 pieces (based on technical estimate of the management)
- Electricity generation from windmills: 13,000 KW

c) Opening Stock, Production, Purchases, Turnover and Closing Stock

i. Finished goods - Polished diamonds:

Particulars	Current Year 2009-2010		Previous Year 2008-2009	
	Carats	Rs.	Carats	Rs.
Opening stock	81,417.03	2,622,347,675	106,369.38	2,556,801,774
Production	292,933.05	--	364,165.23	--
Purchases	945,664.44	8,901,393,687	504,586.47	7,300,567,519
Sales	1,097,954.22	14,416,574,479	893,704.05	13,143,514,247
Closing stock	222,060.30	3,284,694,859	81,417.03	2,622,347,675
Excess/(shortage)	--	--	--	--

ii. Electric power generated from windmills:

Particulars	Current Year 2009-2010		Previous Year 2008-2009	
	Kwh	Rs.	Kwh	Rs.
Power generated	26,599,464	--	18,320,661	--
Captive consumption	1,601,546	--	2,419,178	--
Power sold	24,997,918	84,738,307	15,901,483	* 82,173,609

*Includes generation guarantee claim of Rs.22,125,824.



iii. Raw materials (Rough diamonds):

Particulars	Current Year 2009-2010		Previous Year 2008-2009	
	Carats	Rs.	Carats	Rs.
Opening stock	1,698,091.84	1,066,820,036	945,496.57	1,394,268,860
Purchases	2,761,387.63	5,087,387,444	3,184,526.73	5,079,485,603
Sales	2,564,178.51	1,145,448,040	1,417,825.31	906,736,770
Closing stock	1,002,492.69	659,580,481	1,698,091.84	1,066,820,036
Consumption	892,808.27	4,349,178,959	1,014,106.15	4,500,197,657
Excess/(shortage)	--	--	--	--

Note: The consumption of rough diamonds shown above has been arrived at on the basis of opening stock plus purchases as reduced by sales, closing stock and adjusted for shortages or gains. Profit/loss, if any, on sale of raw materials gets adjusted in the consumption.

d) Value of imported and indigenous consumption

(as determined by management and relied upon by the auditors)

i. Raw materials (Rough diamonds):

Particulars	Current Year 2009-2010		Previous Year 2008-2009	
	Rs.	%	Rs.	%
Imported	3,326,572,798	76.49	3,506,287,005	77.91
Indigenous	1,022,606,161	23.51	993,910,652	22.09
Total	4,349,178,959	100.00	4,500,197,657	100.00

ii. Consumables, stores and spares consumption:

Particulars	Current Year 2009-2010		Previous Year 2008-2009	
	Rs.	%	Rs.	%
Imported	5,036,093	75.54	7,134,602	60.57
Indigenous	1,630,950	24.46	4,644,686	39.43
Total	6,667,043	100.00	11,779,288	100.00

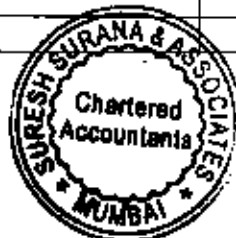
	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.

11. C.I.F. value of imports

Polished diamonds	1,439,836,019	1,993,626,748
Rough diamonds	3,116,565,733	2,887,580,514
Capital goods	3,088,317	1,864,761
Consumables, stores and spares	4,202,927	9,677,344

12. Expenditure in foreign currency (on remittance / payment basis)

DTC VAS fees	14,366,819	14,894,332
Foreign travelling expenses	2,230,671	1,103,494
Consultancy fees	--	410,810
Diamond grading charges	27,740	6,208,111
Others	159,546	--



13. Earning in foreign currency

F.O.B. value of exports	12,969,986,449	12,223,347,165
Other income	936,445	--

14. In the opinion of the Directors, current assets, loans, advances and deposits are approximately of the value stated, if realised in the ordinary course of business. Amounts receivable and payable from same party are netted off for presentation in the financial statements.

15. Disclosures in respect of defined benefit plans (gratuity - unfunded) as required under (AS)-15 "Employee Benefits are as under:

i) Principal assumption used in determining gratuity:

Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Discount rate at the beginning of the year	8.5%	7.5%
Expected rate of increase in compensation level	8%	7%
Current service cost	3,362,100	2,027,108
Benefit paid	--	--
Present value of obligation at end of period	5,905,442	6,707,343

ii) Change in the present value of the benefit obligations:

Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Projected benefit obligations, as at beginning of the year	6,707,343	7,387,509
Service cost	3,362,100	2,027,108
Interest cost	774,269	554,063
Actuarial (gain) / loss on obligation	(4,938,270)	(3,261,337)
Benefit paid	--	--
Projected benefit obligation end of the year	5,905,442	6,707,343

iii) Amount Recognised In Balance Sheet:

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Present value of obligation at the beginning period	5,905,442	6,707,343
Present value of assets	--	--
Liability recognised in balance sheet	5,905,442	6,707,343

iv) Expenses recognised in statement of profit and loss:

Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Current service cost	3,362,100	2,027,108
Interest cost	774,269	554,063
Expected return on plan assets	--	--
Net actuarial gain	(4,938,270)	(3,261,337)
Net periodic cost	(801,901)	(680,166)



v) Movement in net liability recognised in balance sheet:

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Opening net liability	6,707,343	7,387,509
Expenses as above	(801,901)	(680,166)
Contribution paid	—	—
Closing net liability	5,905,442	6,707,343

16. Related party disclosures

i. Related party relationships:

a) Subsidiaries (where control exist)	: C. Mahendra International Limited C. Mahendra BVBA Ciemme Jewels Limited Ciemme BVBA (upto 01/10/2009) C. Mahendra Exports (H.K.) Ltd. C. Mahendra (NY) LLC Ciemme (LA) Inc. Ciemme (NY) LLC C. Mahendra (USA) Inc. C. Mahendra Infojewels (upto 31/12/2008) Best Shine Limited (w.e.f.31/03/2010) International Gems & Jewellery FZE (w.e.f.31/03/2010) Al Daspa Gems & Jewellery FZE (w.e.f.31/03/2010)
b) Key managerial personnel	: Mahendra C. Shah Champak K. Mehta Sandeep M. Shah
c) Relative of key management personnel	: Moghiben C. Shah Dipika C. Mehta Rasilaben M. Shah Vikram M. Shah Vimlaben K. Mehta Hansa P. Mehta Hemali J. Shah Nayna P. Mehta Jignesh M. Shah Kanu C. Shah Prakash K. Mehta Suresh K. Mehta Paras C. Mehta Alka K. Shah Krupa S. Shah Sadhna S.Mehta Pravin K. Mehta Pravin C. Shah
d) Enterprises in which key management personnel have significant influence	: Champak K. Mehta (HUF) Mahendra C. Shah (HUF) Polo Developers Private Limited Ashesha Trading Private Limited
e) Enterprises in which relative of key management personnel have significant influence	: C. K. Shah (HUF) Kanu C. Shah (HUF) Pravin C. Shah (HUF) Allright Trading Private Limited



Notes:

- i. The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS) - 18 'Related Party Disclosures' and the same have been relied upon by the auditors.
- ii. The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year, except where control exist, in which case the relationships have been mentioned irrespective of transactions with the related party.

II. Transactions with related parties:

- a) Details of related party transactions are as follows:

Particulars	Related Parties					Total
	Subsidiaries	Key management personnel	Relative of key management personnel	Enterprises in which Key management personnel have significant influence	Enterprises in which relative of Key management Personnel have significant influence	
Sale of polished diamonds	2,851,971,346 (5,141,755,480)	-- (--)	-- (--)	-- (--)	-- (--)	2,851,971,346 (5,141,755,480)
Sale of rough diamond	482,050,579 (509,800,875)	-- (--)	-- (--)	-- (--)	-- (--)	482,050,579 (509,800,875)
Purchases of polished diamonds	723,777,380 (1,602,139,909)	-- (--)	-- (--)	-- (--)	-- (--)	723,777,380 (1,602,139,909)
Purchases of rough diamonds	1,415,804,738 (405,355,274)	-- (--)	-- (--)	-- (--)	-- (--)	1,415,804,738 (405,355,274)
Lease rent paid	-- (--)	-- (--)	-- (--)	480,000 (480,000)	240,000 (240,000)	720,000 (720,000)
Interest paid	-- (--)	-- (--)	1,040,672 (929,849)	3,917 (48,343)	5,053 (61,793)	1,049,642 (1,039,985)
Reimbursement of expenses received	386,244 (1,049,590)	-- (--)	-- (--)	-- (--)	-- (--)	386,244 (1,049,590)
Reimbursement of expenses made	2,100,000 (--)	-- (--)	-- (--)	-- (--)	-- (--)	2,100,000 (--)
Salary, bonus and allowance	-- (--)	11,160,000 (11,160,000)	6,270,000 (4,320,000)	-- (--)	-- (--)	17,430,000 (15,480,000)
Loans taken	-- (--)	176,924,022 (79,984,466)	31,467,639 (156,735,822)	-- (--)	-- (--)	208,391,661 (236,720,288)
Loans repaid	-- (--)	121,628,221 (99,730,644)	128,436,976 (47,953,040)	-- (551,001)	-- (735,197)	250,065,197 (148,969,882)
Preference shares issued	-- (--)	483,152,000 (--)	676,087,000 (--)	-- (--)	-- (--)	1,159,239,000 (--)
Balance receivable as at year end	3,922,634,401 (5,073,086,683)	-- (--)	-- (--)	-- (--)	-- (--)	3,922,634,401 (5,073,086,683)
Balance payable as at year end	534,692,555 (1,420,310,700)	187,488,382 (614,749,673)	437,910,244 (1,208,388,051)	47,433 (414,748)	61,199 (241,762)	1,160,179,813 (3,244,104,934)

Note: Figures in the bracket are in respect of previous year.



- b) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type during the year is as under:

Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Sale of polished diamonds		
C. Mahendra Exports (H.K.) Ltd.	1,427,166,460	2,057,373,874
C. Mahendra (NY) LLC	1,159,922,843	2,511,589,123
Ciemme Jewels Ltd.	—	538,646,316
Sale of rough diamonds		
C. Mahendra BVBA	482,050,579	509,800,875
Purchases of polished diamonds		
C. Mahendra Exports (H.K.) Ltd.	222,670,226	542,637,909
C. Mahendra (NY) LLC	452,148,169	1,027,359,774
Purchases of rough diamonds		
C. Mahendra BVBA	1,415,804,738	330,908,207
C. Mahendra Exports (H.K.) Ltd.	--	74,447,067
Lease rent paid		
All Right Trading Pvt. Ltd.	240,000	240,000
Ashesha Trading Pvt. Ltd.	240,000	240,000
Polo Developers Pvt. Ltd.	240,000	240,000
Interest paid		
Alka K. Shah	318,598	316,718
Hemali J. Shah	208,119	220,811
Nayana P. Mehta	364,360	362,520
Reimbursement of expenses received		
C. Mahendra Infojewels	--	321,948
Ciemme Jewels Ltd.	367,667	652,521
Reimbursement of expenses made		
Ciemme Jewels Ltd.	2,100,000	--
Salary, bonus and allowances		
Champak K. Mehta	4,200,000	4,200,000
Mahendra C. Shah	4,320,000	4,320,000
Sandeep M. Shah	2,640,000	2,640,000
Kanu C. Shah	4,320,000	4,320,000
Loans taken		
Champak K. Mehta	71,363,848	54,619,609
Kanu C. Shah	--	26,032,949
Pravin C. Shah	--	93,920,010
Mahendra C. Shah	105,060,174	--
Loan repaid		
Mahendra C. Shah	59,296,150	30,588,898
Champak K. Mehta	57,271,071	67,609,007
Pravin C. Shah	83,650,336	15,068,430



Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Preference shares issued		
Champak K. Mehta	136,413,000	--
Kanu C. Shah	143,478,000	--
Mahendra C. Shah	251,087,000	--
Prakash K. Mehta	120,435,000	--
Pravin C. Shah	119,565,000	--
Balance receivable		
C. Mahendra Exports (H.K.) Ltd.	901,948,660	972,606,545
C. Mahendra (NY) LLC	2,224,794,958	3,345,320,819
C. Mahendra BVBA	411,942,736	--
Balance payable		
Champak K. Mehta	117,472,311	--
Prakash K. Mehta	227,837,669	366,278,019
C. Mahendra BVBA	433,040,225	698,710,418
C Mahendra NY LLC	--	453,852,284

For credit facilities and term loan of Rs.821.72 Crores as at 31/03/2010 (Rs.856.46 Crores as at 31/03/2009) from bank, the directors / relatives of directors of the Company have jointly given guarantees to the bank.

The Company has given corporate guarantee to the bank towards working capital facilities sanctioned to subsidiary Company C. Mahendra BVBA [(outstanding as at 31/03/2010 Rs.22.59 Crores) and (outstanding as at 31/03/2009 Rs.25.50 Crores)].

17. Segmental reporting

The Company has only one business segment viz. Gems and Jewellery, which is being considered as the primary segment.

The financial information about business segment is not applicable since segment results / revenue / assets of the wind mill business are not more than 10 percent of the combined business results / revenue / assets.

The information regarding the secondary segment, i.e. 'geographical segments' is given below:

(Amount in Rs.)

Sr. No.	Particulars	Geographical segments		
		Outside India	Within India	Total
1.	Segment revenue			
	Sales and income from operations	12,975,209,654 (12,234,206,219)	2,671,551,172 (1,898,218,407)	15,646,760,826 (14,132,424,626)
2.	Carrying amount of assets by geographical location of assets			
	Segment assets	8,678,334,173 (7,735,886,972)	6,810,528,861 (6,227,720,389)	15,488,863,034 (13,963,607,361)
3.	Additions to fixed assets and intangible assets	-- (--)	15,664,552 (30,698,399)	15,664,552 (30,698,399)



Notes:

- i. Secondary segments identified are as per the requirements of Accounting Standard (AS) - 17 'Segment Reporting', taking into account the organisation structure as well as the differing risks and returns.
- ii. The segment revenue and total assets includes the revenue and assets respectively, which are identifiable with each segment and amounts allocated to the segments on a reasonable basis.

18. Deferred tax

Major components of recognised deferred tax assets and liabilities of the Company arising on account of timing differences are as below:

Particulars	As at 31/03/2010		As at 31/03/2009	
	Deferred tax assets Rs.	Deferred tax liabilities Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
Depreciation	--	152,028,659	--	154,915,822
Provision for gratuity	2,007,260	--	2,279,826	--
Preliminary expenses	152,101	--	304,202	--
Total	2,159,361	152,028,659	2,584,028	154,915,822
Deferred tax assets/ (liabilities) (Net)	(149,869,298)		(152,331,794)	

Deferred tax assets/liabilities (net) in respect of unit eligible to claim deduction under Section 80-IA / 10A of the Income Tax Act, 1961, subject to fulfilments of conditions in this regard, has been recognised only to the extent the same will not reverse within the tax holiday period as determined by the management.

19. Derivative instruments

- i. Foreign currency exposures as at year end not hedged are as follows:

Particulars	As at 31/03/2010		As at 31/03/2009	
	USD	Equivalent * Rs.	USD	Equivalent * Rs.
Debtors	217,931,812	9,837,441,982	140,625,597	7,164,874,279
Bank balances	12,444	561,719	17	812
Working capital loans	88,397,224	3,994,670,548	45,163,753	2,303,351,403
Creditors	37,122,051	1,677,545,480	61,745,458	3,149,018,372
Acceptances	10,693,084	483,220,471	--	--
Advance from customers	71,443	3,224,915	--	--
Advance to suppliers	3,522,229	158,993,410	--	--
	EURO	Equivalent * Rs.	EURO	Equivalent * Rs.
Creditors	2,604	157,712	--	--

*As at year end rate



ii. Derivative instruments – currency swap outstanding as at year end are as follows:

Currency	Type	Foreign currency	As at 31/03/2010	As at 31/03/2009
			Amount	Amount
EUR/USD	Buy	EURO	26,000,000	--
GBP/USD	Buy	GBP	7,000,000	--
USD/JPY	Sell	USD	7,000,000	--
USD/JPY	Buy	USD	--	1,500,000

20. Earnings per share

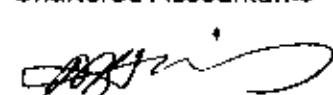
Particulars	Current Year 2009-2010 Rs.	Previous Year 2008-2009 Rs.
Net profit after tax available for equity share holders (Rs.)	211,482,186	198,945,462
Weighted average number of equity shares outstanding during the year (including bonus shares) (Nos.)	45,000,000	45,000,000
Basic and Diluted earnings per share (Rs.)	4.70	4.42
Nominal value of share (Rs.)	10.00	10.00

21. The Company has not received any information from its suppliers regarding their registration under the 'Micro, Small and Medium Enterprises Development Act, 2006'. Hence interest if any payable as required under Act has not been provided and the information required to be given in accordance with Section 22 of the said Act, is not ascertainable and hence, not disclosed.
22. The Company has incurred expenses aggregating to Rs.18,157,090, [including expenses incurred during the year Rs.3,404,930 (previous year Rs.9,254,540)] towards proposed IPO which are classified as "Proposed Public Issue Expenses" and included in "Advances recoverable in cash or in kind or for value to be received" under the head "Loans and Advances" in the financial statements. These expenses would be adjusted against the securities premium account on completion of the public issue.
23. The Company has entered into agreements for obtaining office premises on rent which are in nature of operating leases. The period of lease range from 11 months to 60 months and are cancellable in nature. Amount paid / payable in respect of such leases are charged to profit and loss account on accrual basis.
24. Previous year figures have been regrouped or rearranged, wherever considered necessary. Figures in bracket are in respect of previous year.

Signatures to schedules '1' to '15'

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants



(Nirmal Jain)
PARTNER
Membership No. 34709
Mumbai, Dated: 6 JUL 2010



On behalf of the Board of directors



Directors

Company Secretary

Mumbai, Dated: 6 JUL 2010