

**TWENTY THIRD ANNUAL REPORT
2010-2011**



NAMASTE EXPORTS LIMITED



BOARD OF DIRECTORS

Mr. K. Narayana Bhat	Chairman
Mrs. Madhura N. Bhat	Managing Director
Mr. M. Sripad Rao	Whole-time Director
Mr. E.N. Veeranna	Whole-time Director
Mr. K. Vishal Bhat	Director
Mr. K. Vinod Bhat	Director
Mr. A. Gopala Iyengar	Director

BANKERS & FINANCIAL INSTITUTIONS

State Bank of India
Overseas Branch
Bangalore

Industrial Development Bank of India
Bangalore

AUDITORS

M/S Ishwar & Gopal
Chartered Accountants
Sri Vinayaka Motor Service Building
No. 21/2, T.S.P. Road, Kalasipalyam
Bangalore 560 002

REGISTERED OFFICE

Namaste Complex
21/2, Vittalnagar
Chamarajpet
Bangalore-560 018

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the members of Namaste Exports Limited will be held at **G.T.R. Prince Palace**, Lakshman Garden, 80 Feet Road, B.S.K. 2nd Stage, Bangalore-560 070 on **Friday, the 30th September, 2011** at **10.30 A.M** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date along with the Reports of the Auditor's and Board of Directors thereon.
2. To appoint a Director in place of Mr. M. Sripad Rao who retires by rotation, being eligible offer himself for re-appointment.
3. To appoint auditors and authorise the Board to fix their remuneration.

By order of the Board of Directors

For NAMASTE EXPORTS LTD.

Bangalore-560 018.
30th August, 2011

Sd /-
(K. NARAYANA BHAT)
CHAIRMAN

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF/HERSELF TO ATTEND THE ANNUAL GENERAL MEETING AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY BY NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed on 30th September, 2011.
3. Members are requested to bring their copy of the Annual Report to the Meeting, since extra copies of Annual Report will not be supplied at the meeting.
4. As per the provisions of Section 205A of the Companies Act, 1956, the unclaimed dividend amounting to Rs.74,084.20 (Rupees Seventy Four thousand eighty four and Paise twenty only) relating to financial year 1993-94 & Rs.76,193.36 (Rupees Seventy Six thousand one hundred ninety three and Paise thirty six only) relating to financial year 1994-95 have been transferred to the 'General Revenue Account' of the Central Government. Shareholders interested to claim dividend relating to the said financial years are advised to submit application in Form No.II to the Registrar of Companies, Karnataka, 'E' Wing, II Floor, II Block, Kendriya Sadhan, Koramangala, Bangalore -560 034.
5. Members are requested to notify immediately any change in address and signature updation for their **physical holdings** to the Company at its Registered Office and to the respective DPs in case of shares in demat mode.

By order of the Board of Directors

For NAMASTE EXPORTS LTD.

Sd /-
Bangalore-560 018
30th August, 2011

(K. NARAYANA BHAT)
CHAIRMAN

**DIRECTORS REPORT**

To The Members

Directors present the Twenty First Annual Report of the Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2011.

FINANCIAL RESULTS

	(Rs. in Thousands)	
	2010-2011	2009-2010
Sales & Other Income	42369	44269
Profit(Loss) Before Interest Depreciation & Non Operative (Loss) / Profit	6923	12323
Less / (Add)		
Interest	97	4
Depreciation	3019	3200
Non-Operative loss	-	-
Profit (Loss) before Tax	3807	9119
Profit (Loss) after Tax	3807	9119
Add/(Less):		
Prior year Adjustments	-	(46)
Loss brought forward	(705895)	714968
Less reduction in equity share capital	-	-
Loss carried to Balance Sheet	702088	705895

DIRECTORS

Mr. Vishal Bhat, Director has resigned from the Directorship of the company and the board has accepted which will come into effect from 30-9-11.

PUBLIC DEPOSITS

During the year under review, your Company has not accepted any deposits under the provisions of Section 58A of the Companies Act, 1956 and the rules made thereunder.

OPERATIONS

At present your company is operating on Job Work Basis. Merger proposal of Success Apparels Pvt. Ltd., (SAPL) with Namaste Exports Ltd. (NEL) is in active consideration of BIFR/IDBI. The company has earned profits for the second year consecutively. We are hopeful of continuing the same trend and improving the same. Your company looks forward for early clearance of the proposal.

AUDITORS

The Statutory Auditors Messers Ishwar & Gopal, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. A certificate has been obtained from them to the effect that

the appointment, if made will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company has complied with all the requirements as per the Security Exchange Board of India (SEBI) guidelines for Corporate Governance. Recent implementation of SEBI guidelines on various requirements is in progress and will be implemented soon.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have fulfilled their responsibility in the preparation of the accompanying financial statements by taking all reasonable steps to ensure that:

These statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgments and estimates that are reasonable and prudent have been made where necessary. The accounting policies selected and applied consistently give a true and fair view of the financial statements.

The Company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures, and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties.

The Company's statutory auditors, Messrs. Ishwar & Gopal, Chartered Accountants, Bangalore, have audited the financial statements in accordance with generally accepted auditing standards and practices as indicated in their report. The Directors have prepared the annual accounts on a 'Going Concern' basis.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**A. CONSERVATION OF ENERGY**

The company is taking all possible steps to conserve energy resources. Measures taken in this regard cannot be quantified and its impact on cost of production cannot be stated accurately. The Company is not covered in the list of industries which should furnish information in Form 'A' relating to energy consumption and energy consumption per unit of production.

B. TECHNOLOGY ABSORPTION :

1. Research & Development: The company constantly endeavours to improve the quality of its products.

2. Technology absorption, adaptation and innovation: the company has not imported any technology during the year under review.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange Earnings during the year : - NIL -

Foreign Exchange Outgo during the year : - NIL -

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT 1956, REGARDING EMPLOYEES

Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 are not applicable to the Company.

PERSONNEL

Employee relations at all levels continued to remain cordial.

ACKNOWLEDGEMENT

Directors place on record their sincere appreciation for the assistance and co-operation received from the bankers, financial institutions. The Directors also place on record their appreciation for the support given and contribution made by the officers, staff and workers at all levels during the year. Directors thank the Government of India, particularly Ministry of Commerce and Finance and Government of Karnataka for their support during the year and look forward to their continued support.

Your Directors place on record the fruitful association of Mr. K. Parthasarathy during his tenure as Director who relinquished Directorship due to his pre occupation.

For and on behalf of the Board of Directors

Bangalore-560 018
30th August, 2011

Sd /-
(K. NARAYANA BHAT)
CHAIRMAN

**ANNEXURE-A TO DIRECTORS' REPORT
(On Corporate Governance)**

A. MANDATORY REQUIREMENTS :

1. Company's Philosophy on code of Corporate Governance :

The Company's philosophy of Corporate Governance is aimed at assisting the management of the company in the efficient conduct of its business and in meeting the obligations of the shareholders and is guided by strong emphasis on transparency, accountability and integrity.

2. BOARD OF DIRECTORS :

Board Meetings and Attendance of Each Director at the Board Meetings and the last Annual General Meeting :

During the financial year 2010-11 Five meetings of the Board of Directors were held during April, July, August, October 2010 respectively and January 2011. The gap between two board meetings did not exceed four months. The details of attendance of directors of the board meeting are as under :

Name of the Directors	No. of Board meetings held	No. of Board meetings attended	Attendance at last AGM
Mr. K. Narayana Bhat <i>Chairman - Non Executive</i>	5	5	Yes
Mrs. Madhura N. Bhat <i>Managing Director</i>	5	5	Yes
Mr. M. Sripad Rao <i>Whole Time Director</i>	5	5	Yes
Mr. E.N. Veeranna <i>Whole Time Director</i>	5	5	Yes
Mr. K. Vishal Bhat <i>Non Executive</i>	5	3	No
Mr. K. Vinod Bhat <i>Non Executive</i>	5	-	No
Mr. A. Gopala Iyengar <i>Independent</i>	5	5	No

**3. Audit Committee**

The terms of reference of Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchanges, read with Section 292A of the Companies Act, and includes such other functions as may be assigned to it by the Board from time to time.

The Audit Committee comprises of :

- (i) Mr.A.Gopala Iyengar - Chairman of the Committee
- (ii) Mrs. Madhura N. Bhat - Member
- (iii) Mr.E.N.Veeranna - Member

4. GENERAL SHAREHOLDER INFORMATION :

- (a) Twenty Third Annual General Meeting :
Day / Date, Friday, the 30th September 2011
Time : 10-30 a.m.
Venue : G.T.R. Prince Palace
Lakshman Garden,
80 Ft. Road, B.S.K. 2nd Stage, Bangalore - 560 070.
- (b) Details of Annual General Meetings held during past three years :
Previous three Annual General Meetings for the years ending (a) 31st March 2008 (b) 31st March 2009 and 31st March 2010 held at GTR Prince Palace, Lakshma Garden, 80 Ft. Road, B.S.K. 2nd Stage, Bangalore - 560 070 on 30-09-08, 30-09-09 and 30-09-10, respectively and no special resolution was passed by exercising postal ballot.
- (c) Date of Book Closure : 30th September 2011.

Financial year : The financial year covers the period from 1st April 2010 to 31st March 2011.
- (d) Listing on Stock Exchanges :
The equity shares of the company is listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Listing fees have been paid to the Stock Exchanges for the period upto 31st March 2011. Revocation of suspension of trading is in progress.

Namaste Exports Ltd., - Stock Exchange Code : 526059

Demat ISIN in NSDL and CSDL for Equity Shares - ISIN INE583A01017.
- (e) Registrar and Share Transfer Agents.
M/s. TSR Darashaw Limited
No. 503, Barton Centre, 84, Mahatma Gandhi Road,
Bangalore - 560 001.

(f) Distribution of sharholding as on 31st March 2011.

No. of Equity Shares	No. of share holders	% of share holders	No. of shares held	% of share holding
Upto - 2,500	9713	80.499	1140620	2.639
2,501 - 5,000	1380	11.437	547530	1.267
5,001 - 10,000	581	4.815	485080	1.123
10,001 - 20,000	206	1.707	306290	0.709
20,001 - 30,000	60	0.497	150910	0.349
30,001 - 40,000	23	0.191	82360	0.191
40,001 - 50,000	20	0.166	94800	0.219
50,001 - 1,00,000	27	0.224	192850	0.446
1,00,000 and above	56	0.464	40213790	93.057
Total	12066	100.00	43214230	100.00

(g) Shareholding Pattern as on 31st March 2011

Category	No. of Share holders	No. of Equity shares	Percentage
Promoters	82	22740135	52.62
Financial Institutions/Banks	9	5678050	13.14
Mutual Funds	9	33700	00.08
Central/State Govt.	2	2711200	06.27
Bodies Corporate	127	9035850	20.91
Foreign Institutional Investors	1	4500	0.02
Public	11788	2984057	6.91
Others	48	26738	0.06
TOTAL	12066	43214230	100.00

(h) Dematerialisation of Shares as on 31.03.2011

As on 31st March 2011, 14.21% of the total equity capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to Demat Form in view of the various advantages associated with Demat Holding.

- (i) Company's address for correspondence :-
Registered Office : No. 21/2, Vittalnagar,
Chamarajpet, Bangalore - 560 018.
Telephone No. : 26742252
- (j) Shareholders email-id for communication :- On a move to create transparency in dealing with Shareholders grievance and for communication, your company has created an email-id : **shares.nel@gmail.com**. Shareholders are requested to note the email-id.

Shareholders may correspond with the Company at its Registered Office and or with the Registrars and Share Transfer Agent, M/s. Tata Darashaw Limited.
- (k) Status of Investors - Complaints received during the period 1st April 2010 to 31st March 2011 - There are no pending compaints as on 31st March 2011.

DISCLOSURES:

- a) There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, or relatives etc that may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Notes to Accounts in Schedule 16 to the financial statements in the Annual Report.
- b) The guidelines/accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) have been followed in preparation of the financial statements of the Company.
- c) There were neither any non-compliance by the Company on any matters relating to capital market, nor did the Company attract any penalties or strictures by the Stock Exchanges, SEBI or any statutory authority. The company has complied with filing Form 2 and Form 5 manually for increase in share capital as per sanctioned scheme of rehabilitation by BIFR. The BIFR exempted filing fee for enhancement of share capital and communicated to Ministry of Corporate Affairs (MCA). The sanction by MCA for exemption of filing fee to be paid by the company is pending.
- d) Presently, the Company does not have a Whistle Blower Policy, No personnel of the Company have been denied access to the Audit Committee.

Declaration on Code of Conduct

As required under clause 49 of the listing agreement the declaration for code of conduct is given below.

To the members of Namaste Exports Limited.

I, K. Narayana Bhat, Chairman of the company declare that all the Board Members and Senior Management of the Company affirm compliance with the code of conduct.

For Namaste Exports Limited

Bangalore-560 018
30th August, 2011.

(K. NARAYANA BHAT)
CHAIRMAN

**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

To The Members of Namaste Exports Limited

We have reviewed the implementation of Corporate Governance procedures by Namaste Exports Limited during the year ended March 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporation Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review and according to the information and explanations given to us, and the representations made by Directors and the Management, the conditions of Corporate Governance as stipulated in Corporate Governance Clause 49 of the Listing Agreement with the Stock Exchanges have been complied with by the Company and that no investor grievance(s) is / are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **ISHWAR & GOPAL**
Chartered Accountants

Bangalore

Dated : 30th August, 2011.

K.V. GOPALAKRISHNAYYA
Partner

Membership No. : 21748

Addendum to Director's Report

The Statutory Auditor's of the Company M/s. Iswhar & Gopal, Chartered Accountants, Bangalore have given their Audit Report for the year ended 31st March, 2011 with certain qualifications, on which the Directors of the Company clarify as follows.

Observations made in the Annexure to the Auditor's Report :**Point – V under Auditor's Report :**

The company has fully redeemed the full value of the debentures.

Point – VI under Auditor's Report:

The company has implemented the amended rehabilitation package sanctioned by BIFR and all the units of the company are fully functional. Approval of merger proposal is in progress with BIFR/IDBI. Hence the accounts has been prepared on 'going concern concept'.

Point – VIII under Auditor's Report :

The company has filed documents manually with MCA. Approval from MCA for exempting the company from paying filing fee is pending.

For and on behalf of the Board of Directors

Sd /-

Bangalore-560 018
30th August, 2011

K. NARAYANA BHAT
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Namaste Exports Limited as at March 31 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the 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 test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003 (the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 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 accounts;
- (iv) 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.
- (v) **As per the information furnished to us the Company has earlier defaulted to redeem its debentures on due date. Hence Mr. K Narayan Bhat Mrs. Madhura N. Bhat, M. Sripad Rao and K. Vishal Bhat directors of the company are disqualified from being appointed as Director under section 274 (1) (g) of the Companies Act 1956**
- (vi) **The accounts of the Company have been prepared on 'going concern concept'. In view of the complete erosion of shareholders' funds the ability of the**

Company to continue as a going concern is dependent upon the implementation of the amended rehabilitation scheme approved by the Board of Industrial & Financial Reconstruction on August 23 2005 (refer note 2 of Schedule 16 to the Accounts).

(vii) **Subject to note no 2 (a) (vi) of schedule 16 to the notes on accounts regarding pending filing of documents with Registrar of Companies, Karnataka, Bangalore, for increase in authorised capital, paid up capital and reduction in the face value of paid up capital and read with the other notes and schedules thereon**, in our opinion and to the best of our information and according to the explanations given to us the said accounts read with notes thereon give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2011;
- b. In the case of Profit and Loss Account of the profit for the year ended on that date; and
- c. In the case of Cash Flow Statement of the cash flows for the year ended on that date.

for Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner

Membership No.: 21748
Firm Registration No: 001154S
Place : Bangalore
Date : 30th August 2011

**ANNEXURE TO THE AUDITOR'S REPORT**

- (i) Fixed Assets
- (a) The Company has maintained records showing particulars including quantitative details and the situation of its fixed assets **except cost particulars of machinery.**
- (b) The fixed assets have been physically verified by the management during the year according to a periodical phased program. In our opinion the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us the discrepancies noticed on such verification (except leather garment division) which were not material have been dealt properly in the books of accounts.
- (c) During the year the company has not disposed off substantial portion of its assets. We have been informed that the same does not affect the company as a going concern.
- (ii) Inventory
- (a) Inventories other than lying with third parties were physically verified during the year by the management. In our opinion the frequency of verification is reasonable;
- (b) In our opinion and according to the information and explanations given to us the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book records arrived at on an annual reconciliation where applicable as noticed on physical verification were not material and have been properly dealt with in the books of account;
- (iii) Loans
- (a) The Company has granted advances (which are in the nature of loans) to companies and other parties (one in number) listed in the register maintained under Section 301 of the Companies Act 1956 without any stipulations regarding interest / repayment of principal. The amount involved in the aforesaid transactions was Rs. 3,82,286 and the year end balance was Rs. 3,82,286.
- (b) As informed to us there are no stipulations regarding rate of interest and repayment of principal in respect of the advances which are still pending. We are not able to express our opinion as to whether the terms on which the said interest free loans have been granted are prima facie prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loans as there are no stipulations regarding payment of principal we are unable to express our opinion as to whether the payment of principal and interest is regular.
- (d) In respect of the aforesaid loans we are unable to express our opinion as to whether company has taken reasonable steps to recover the overdue advances.
- (e) The Company had not taken any loans secured or unsecured from parties listed in the register maintained under section 301 of the Companies Act 1956. Accordingly clause 4 (iii) (e) to (g) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company for the year under review.
- (iv) Internal Control Procedures
- In our opinion and according to the information and explanations provided to us there are internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit we have neither come across nor have we been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures;
- (v) Related Party Transactions
- (a) Based on the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the company has entered all the transactions required to be entered in the register maintained under Section 301 of the Companies Act 1956.
- (b) In our opinion and according to the information and explanations given to us the transactions entered / to be entered in the registers maintained under Section 301 in respect of each party have been made at

<p>prices which are reasonable having regard to prevailing market prices at the relevant time except for items which are of special nature for which no alternative sources of supply is available or no comparison could be made of the prices in the absence of quotations/similar transaction with other parties;</p>	<p>(xi) As per the amendment / modifications in the rehabilitation scheme sanctioned by the Board of Industrial and Financial Reconstruction on August 23 2005 there is no default by the Company in repayment of dues to financial institutions / banks / debenture holders.</p>
<p>(vi) The Company has not accepted any deposits from public and hence in our opinion the provisions of section 58A and 58AA of the Act and the rules framed there under are not applicable;</p>	<p>(xii) Based on our examination and 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;</p>
<p>(vii) The Company has a system of internal audit commensurate with its size and nature of its business;</p>	<p>(xiii) The Company is not a chit/nidhi/mutual benefit fund/ society and clause xiii of the Order (as amended) is not applicable.</p>
<p>(viii) We have been informed that maintenance of Cost records under Section 209 (1) (d) of the Companies Act 1956 is not applicable to the Company;</p>	<p>(xiv) The Company is not dealing or trading in shares securities debentures and other investments. The investment made in Shares & Securities are held in the name of the Company.</p>
<p>(ix) Statutory Liabilities</p>	<p>(xv) On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions;</p>
<p>(a) According to the records information and explanations provided to us the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investor education protection fund, employees' state insurance income-tax, sales-tax, wealth-tax, customs duty, excise duty, service tax, cess and other statutory dues applicable to it. No undisputed amounts payable were outstanding as at the date of the balance sheet for a period of more than six months from the date they became payable.</p>	<p>(xvi) In our opinion and according to the information and explanation given to us on an overall basis the Company has not availed any term loans during the year under review.</p>
<p>The above data has been furnished to the extent dues payable have been identified from the records of the Company pending reconciliation and analysis of certain accounts.</p>	<p>(xvii) On the basis of our examination of the books of accounts and the information and explanation given to us and on an overall examination of the balance sheet of the Company we report that funds raised on short-term basis have not been used for long-term investment.</p>
<p>(b) According to the information and explanation given to us disputed dues of Wealth tax, Customs Duty, Service tax, Sales tax Income Tax and Excise Duty that have not deposited on account of any dispute are detailed below to the extent identified from the records of the Company.</p>	<p>(xviii) During the year the Company has not made preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Act;</p>
<p>(x) The Company has accumulated losses of more than 50 % of its net worth at the end of the financial year and has incurred cash losses in the immediately preceding year.</p>	<p>(xix) The Company has created securities in respect of debentures issued.</p>
	<p>(xx) The Company has not raised any money by public issues during the year;</p>
	<p>(xxi) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.</p>
	<p>for Ishwar & Gopal <i>Chartered Accountants</i></p>
	<p>K V Gopalakrishnayya <i>Partner</i> Membership No.: 21748 Firm Registration No: 001154S Place : Bangalore Date : 30th August 2011</p>

**BALANCE SHEET AS AT 31ST MARCH 2011**

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders Funds					
Share Capital	1	86,428,460		86,428,460	
Reserves & Surplus	2	<u>565,312,237</u>		<u>565,312,237</u>	
			651,740,697		651,740,697
Loan Funds					
Secured Loans	3		---		838,000
Unsecured Loans			---		---
			<u>651,740,697</u>		<u>652,578,697</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	76,009,900		111,139,698	
Less : Depreciation		<u>65,552,227</u>		<u>97,676,380</u>	
Net Block		<u>10,457,674</u>		<u>13,463,319</u>	
			10,457,674		13,463,319
INVESTMENTS					
	5		609,229		609,229
CURRENT ASSETS, LOANS & ADVANCES					
Inventories		---		---	
Sundry Debtors	6	---		---	
Cash & Bank Balances	7	1,437,876		778,860	
Loans & Advances	8	4,646,992		5,094,023	
		<u>6,084,869</u>		<u>5,872,883</u>	
CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	9	66,254,691		72,073,052	
Provisions	10	<u>1,244,391</u>		<u>1,188,519</u>	
		<u>67,499,082</u>		<u>73,261,571</u>	
Net Current Assets			(61,414,214)		(67,388,689)
PROFIT & LOSS ACCOUNT					
			<u>702,088,007</u>		<u>705,894,838</u>
			<u>651,740,697</u>		<u>652,578,697</u>
Significant Accounting Policies & Notes on accounts forming an integral part of Balance Sheet.	16				

As per our report of even date
For **ISHWAR & GOPAL**
Chartered Accountants

For and on behalf of the Board.

K.V. GOPALAKRISHNAYYA
Partner
Membership No. : 21748
Firm Regn. No. : 001154S

K. NARAYANA BHAT
Chairman

MADHURA. N. BHAT
Managing Director

Bangalore
Dated : 30th August, 2011

M. SRIPAD RAO
Director

E.N. VEERANNA
Director Finance

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	Schedule	Year Ended 31-03-2011		Year Ended 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Jobwork Receipts			42,210,838		19,023,803
Profit on sale of assets (net)			---		14,937,848
Other Income	11		158,242		10,307,146
			<u>42,369,080</u>		<u>44,268,797</u>
EXPENDITURE					
Material Cost	12		---		1,168,605
Operating & Other expenses	13		35,451,706		30,776,436
Interest & Financial charges	14		97,118		4,686
Depreciation	4		3,019,265		3,199,908
Total			<u>38,568,088</u>		<u>35,149,635</u>
Profit / (Loss) before prior year Expenses & Tax			<u>3,800,991</u>		<u>9,119,162</u>
Prior period (expenses) / Income	15		---		(45,828)
Profit / (Loss) for the year			<u>3,800,991</u>		<u>9,073,334</u>
Excess Provision for fringe benefit tax withdrawn			(5,840)		---
Profit / (Loss) after tax			<u>3,806,831</u>		<u>9,073,334</u>
Loss brought forward from previous year			705,894,838		714,968,172
Loss carried over to Balance Sheet			<u>702,088,007</u>		<u>705,894,838</u>
Earnings Per Share (Loss) in Rs.					
Basic			0.09		0.21
Diluted			0.09		0.21
Weighted average number of shares (Nominal value Rs. 2 per share)					
Basic			43,214,230		43,214,230
Diluted			43,214,230		43,214,230
Significant Accounting Policies & Notes on accounts forming an integral part of Profit and Loss Account.	16				

As per our report of even date
For **ISHWAR & GOPAL**
Chartered Accountants

For and on behalf of the Board,

K.V. GOPALAKRISHNAYYA
Partner
Membership No. : 21748
Firm Regn. No. : 001154S

K. NARAYANA BHAT
Chairman

MADHURA. N. BHAT
Managing Director

M. Sripad Rao
Director

E.N. Veeranna
Director Finance

Bangalore
Dated : 30th August, 2011

**SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2011**

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
Share Capital	1				
AUTHORISED					
25,00,00,000 (25,00,00,000)					
Equity Shares of Rs. 2 (Rs. 2) each					
[Refer Note 11 of Schedule 16					
Notes on Accounts]			<u>500,000,000</u>		<u>500,000,000</u>
ISSUED SUBSCRIBED AND PAID UP					
43,214,230 (43,214,230)					
Equity Shares of Rs. 2 each					
Fully Paid up			86,428,460		86,428,460
- Of the Above Equity Shares					
a. 8793016 equity shares of					
Rs. 2 each issued pursuant to a scheme					
of amalgamation without payment being					
received in cash.					
b. 3101784 equity shares of					
Rs. 2 allotted as bonus shares by					
capitalisation of free reserves.					
c. 5255350 equity shares of					
Rs. 2 each issued by converting interest					
payable on loans without payment being					
received in cash			<u>86,428,460</u>		<u>86,428,460</u>
	2				
RESERVES & SURPLUS					
1. Capital Reserve					
Balance as per last Balance Sheet			1,671,000		1,671,000
2. Security Premium					
Balance as per last Balance Sheet			244,987,193		244,987,193
3. Debenture Redemption Reserve					
Balance as per last Balance Sheet			10,500,000		10,500,000
4. General Reserve					
Balance as per last Balance Sheet			308,154,044		308,154,044
			<u>565,312,237</u>		<u>565,312,237</u>
Secured Loans	3				
Interest Accrued on Loans					
(refer note No. 3 of Schedule 16,					
Notes to accounts)			---		838,000
			---		<u>838,000</u>

SCHEDULE 4 - FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at 1-4-2010	Additions	Deletions	As at 31-3-2011	As at 1-4-2010	For the Year	Withdrawal	As at 31-3-2011	As at 31-3-2011	As at 31-3-2010
1. Land	3,706,624	—	—	3,706,624	—	—	—	—	3,706,624	4,886,136
2. Building	923,511	—	—	923,511	539,174	30,846	—	570,020	353,491	3,592,250
3. Plant & Machinery	100,662,420	13,620	35,096,646	65,579,394	91,290,062	2,988,419	35,096,646	59,181,835	6,397,559	12,360,455
4. Furniture & Fixtures	3,698,301	—	46,772	3,651,529	3,698,301	—	46,772	3,651,529	—	—
5. Vehicles	2,148,842	—	—	2,148,842	2,148,842	—	—	2,148,842	—	—
Total	111,139,698	13,620	35,143,418	76,009,900	97,676,380	3,019,265	35,143,418	65,552,227	10,457,674	20,838,841
Previous Year	118,286,695	—	7,146,997	111,139,698	97,447,854	3,199,908	2,971,382	97,676,380	13,463,319	20,838,841

**SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2011**

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
INVESTMENT (AT COST)	5				
Long Term Investments					
A. Government / Trust Securities					
Government Securities			<u>5,729</u>		<u>5,729</u>
			<u>5,729</u>		<u>5,729</u>
Unquoted Shares, Trade					
B. Shares, Debentures & Bonds					
a. Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd.					
100 shares of Rs. 100 each			10,000		10,000
b. Talco Vaitec Limited					
2625 Equity Shares of Rs. 100 each			<u>262,500</u>		<u>262,500</u>
			<u>272,500</u>		<u>272,500</u>
Total Unquoted Investments			<u>278,229</u>		<u>278,229</u>
2. Quoted - Non Trade					
Fully Paid Equity Shares of Rs. 10 each					
a. 3200 (3200) Industrial Development Bank of India Ltd.					
			<u>286,000</u>		<u>286,000</u>
			<u>286,000</u>		<u>286,000</u>
Units					
a. 4500 (4500) units of PNB Gilts of Rs. 10 each					
			<u>45,000</u>		<u>45,000</u>
			<u>45,000</u>		<u>45,000</u>
Total Quoted Investments					
[Market Value Rs. 567740 (Rs. 475775)]			<u>331,000</u>		<u>331,000</u>
TOTAL			609,229		609,229

SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2011

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
Sundry Debtors (Unsecured)	6				
Outstanding for a period more than six months					
- Considered good		---		---	
- Considered doubtful		<u>14,177,371</u>		<u>14,177,371</u>	
		14,177,371		14,177,371	
Less: Provision for doubtful debts		<u>14,177,371</u>		<u>14,177,371</u>	
Other considered good			---		---
			---		---
Cash & Bank balances	7				
Cash on hand			8,836		89,103
Cash at bank - with scheduled bank in India					
On current account			1,429,040		689,757
			<u>1,437,876</u>		<u>778,860</u>

**SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2011**

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
Loans and Advances(Unsecured)	8				
Advances recoverable in cash or in kind or value to be received					
- Considered good		167,506		138200	
- Considered doubtful		---		4,301,882	
		<u>167,506</u>		<u>4,440,082</u>	
Less: provision for doubtful advances		---		<u>4,301,882</u>	
			167,506		138,200
Deposits					
- Considered good		2,193,435		2,984,038	
- Considered doubtful		---		1,801,959	
		<u>2,193,435</u>		<u>4,785,997</u>	
Less: Provision for Doubtful deposits		---		<u>1,801,959</u>	
			2,193,435		2,984,038
Due from Directors			382,286		274,580
Prepaid Expenses			106,004		110,314
Advance Income tax / tax deducted at source			1,797,761		1,586,891
			<u>4,646,992</u>		<u>5,094,023</u>
Current Liabilities & Provisions	9				
Current Liabilities					
Sundry Creditors					
Due to Micro, Small and Medium Enterprises			---		---
Due other than Micro, Small and Medium Enterprises			---		---
Advance received			52,100,420		59,140,404
Due to Directors			963,185		1,803,128
Other liabilities			13,191,086		11,129,520
			<u>66,254,691</u>		<u>72,073,052</u>
Provisions	10				
For Leave Salary			582,849		640,118
For Gratuity			661,542		548,401
			<u>1,244,391</u>		<u>1,188,519</u>
			<u>67,499,082</u>		<u>73,261,571</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
Other Income	11				
Unclaimed Credits / Provisions write back			51,189		10,268,346
Dividend Received			10,560		8,800
Interest Received(Gross)			66,493		---
Rent Received			30,000		30,000
			<u>158,242</u>		<u>10,307,146</u>
Material Cost	12				
Provision for Obsolescence			---		1,168,605
Operating & Other expenses	13				
Salaries, wages & Bonus			23,284,199		19,976,217
Contribution to PF & Other funds			33,23,171		2,985,525
Workmen & Staff welfare			870,315		877,019
Power, fuel & water charges			1,499,847		1,475,355
Rent			3,184,860		2,999,691
Rates & Taxes			257,038		265,304
Insurance			34,058		54,861
Repairs & Maintenance					
-Building		206,000		160,845	
-Plant & machinery		99,387		42,351	
-Others		247,053		193,479	
			<u>552,440</u>		<u>396,675</u>
Travelling & Conveyance			276,621		295,950
Remuneration to Auditors			110,300		111,695
Donations			15,250		26,750
Security Charges			459,157		4,30,113
Miscellaneous Expenses			249,976		211,960
Professional & Consultancy Charges			128,833		193,916
Communication expenses			490,641		430,365
Directors Sitting Fees			22,500		45,000
Bad Debts		6,796,340		35,697,556	---
Provision for bad debts/advances written off		6,103,840	692,500	(35,697,556)	---
			<u>35,451,706</u>		<u>30,776,436</u>

**SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

Particulars	Schedule	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
Interest & financial charges	14				
Interest on others			92,400		---
Other charges			4,718		4,686
			<u>97,118</u>		<u>4,686</u>
Prior period (expenses) / income	15				
Penalties			---		(505)
Travelling			---		(36,052)
Interest			---		(5,376)
Miscellaneous			---		(3,895)
			<u>---</u>		<u>(45,828)</u>

Schedule 16 Notes to Accounts

1. Significant Accounting Policies

- a. Accounting Convention: Basis of accounting:** The financial statements are prepared on accrual basis under the historical cost convention in accordance with generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

Uses of Estimates: The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as on the date of the Balance Sheet. Differences, if any, between the actual results and estimates is recognized in the period in which the results are known.

- b. Fixed Assets:** Expenditure which are of capital in nature are capitalised at cost, which comprises of net purchase price, import duties, levies and directly attributable cost of bringing the asset to its working condition for its intended use. Interest on borrowings for fixed asset acquisition and revenue expenses incurred for the period prior to commencement of commercial production/installation are capitalised as part of the asset cost.
- c. Depreciation:** Depreciation on the assets has been provided at the rates and in the manner, prescribed in Schedule XIV to the Companies Act 1956 on Straight line basis.
- d. Investments:** Investments are stated at cost and necessary provision is made only in case of permanent diminution in value.
- e. Inventories:** Inventory is valued at lower of cost or estimated net realisable value. Cost is determined on First in First Out (FIFO) basis and includes an appropriate portion of production and factory related administration overhead.
- f. Foreign Currency Conversion:** Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. All resultant translation losses and gains are recognized in the Profit & Loss Account.
- g. Revenue:** Revenue consists of jobwork receipts which are recognised keeping in view the arrangements with customers or trade practices. Dividend income is accounted for when the right to receive is established.
- h. Contingent Liabilities:** All known liabilities of material value have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes on accounts in accordance with Accounting Standard (AS 29). As regards, provisions, it is only those obligations arising from past events existing independently of an enterprise's future actions that are recognized as Provisions. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.
- i. Impairment of Assets:** The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized whenever the carrying amounts of the assets exceed its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value, based on appropriate discounting factor. After impairment depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation as if there was no impairment.
- j. Borrowing Costs:** Borrowing costs that are attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard (AS) 16 on "Borrowing Costs" are capitalized as part of the cost of such assets up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.



- k. Provisions and Contingencies:** Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes to the accounts. Contingent assets are neither recognized not disclosed in the notes to the accounts.
- l. Earnings per share:** The Company reports basic and diluted Earnings per share (EPS) in accordance with Accounting Standard (AS) 20 on "Earning per Share" issued by the ICAI. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares.
- m. Employee Benefits :**
- a. Post employment benefit plans:**
- Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.
- b. Short term Employee Benefits:**
- The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.
- 2. Rehabilitation Scheme:**
- a.** In terms of the Rehabilitation Scheme (Scheme) approved by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 11th July 2003 and amended from time to time
- i.** The Financial Institutions and Banks was to be paid principal outstanding as on the cut off date i.e., 30th September 2002 amounting to Rs. 46.46 Crores. Based on this approval the Company has fully repaid Rs. 46.46 Crores.
- ii.** In the Annual General Meeting of the Company held on 29.09.2007, the Company has passed a resolution to increase the authorized capital to Rs. 50 Crores. The Company has obtained approval from BIFR for waiver of filing fees with Registrar of Companies, Karnataka, Bangalore (ROC) for the said increase. ROC has not accepted the documents without filing fees. Considering the waiver obtained from BIFR, no provision is made for the filing fees for the said increase.
- iii.** The directors in their meeting held on 25.03.2009, allotted 5,255,350 no of equity shares of Rs. 10 each as fully paid up as conversion of interest dues to banks and financial institutions. Further on the same date they have allotted 18,026,780 no of equity shares fully paid up to the promoters and associates.
- iv.** As per the scheme approved by the BIFR, the directors in their meeting held on 25.03.2009 have written down Rs. 8 per equity share totally amounting to Rs. 345,713,840 setting off the same against the carry forward losses of the Company. Paid up capital of the Company became 43214230 shares of Rs. 2 each fully paid up.
- v.** Consequent to the reduction in face value of paid up capital from Rs. 10 per share to Rs. 2 per share, the authorized capital of the Company became 25,00,00,000 equity shares of Rs. 2 each. In this regard, the Company is seeking the approval of share holders for changes in the memorandum and articles of association in the forthcoming Annual General Meeting.
- vi.** Since the Registrar of Companies have not accepted the documents filed by the Company for increasing in authorized capital (refer clause iii & iv above) necessary documents for increase in paid up capital and reduction of capital as referred above could not be filed electronically with them. However copies of the same have been manually filed with the Registrar of Companies.

vii. In November 2009, the Company has filed an application before BIFR seeking approval for amalgamating Success Apparels Private Limited with the Company.

3. Details of securities to Loans:

- a. Rs. Nil (Rs. 8,38,000) due to Industrial Development Bank of India (IDBI) represents balance in accrued interest account after allotment of shares on a portion of the interest dues.
- b. The Company has earlier created charge on the fixed and current assets of the Company in favour of Industrial Development Bank of India, State Bank of India Mutual Fund, Karnataka State Industrial Investment Development Corporation, Karnataka State Financial Corporation, State Bank of India and Canara Bank. The Company has repaid / allotted shares towards these dues as approved by the BIFR. (Refer note 2). Company is in the process of filing satisfaction of charges with Registrar of Companies in respect of these charges.

4. Fixed Assets:

In view of the business restructuring undertaken by the company, entailing closure of certain facilities, fixed assets have been shifted to other units of the company. Pending updation of fixed assets register, reconciliation of the same with the actual inventory is not completed.

A few assets of the company are located / used by certain other companies with whom the company has trading and business connections, the expenses for maintenance thereof being borne by the user company.

5. Current Assets & Liabilities:

Confirmation of the balances under Sundry Debtors, Loans & Advances, Deposits and Sundry Creditors are not obtained. In the opinion of the management current assets and Loans & Advances would in the ordinary course of business realise the values stated. Certain bank accounts are subject to confirmation.

6. Dues to Micro, Small and Medium Industrial Undertakings:

Sundry Creditors do not include any dues to Micro, Small and Medium Industrial Undertakings, to the extent such parties have confirmed.

Sl. No.	PARTICULARS	31-03-2011	31-03-2010
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	Nil	Nil
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil



7. **Contingent Liabilities:** Contingent Liabilities not provided for includes disputed ESI Liabilities Rs. Nil (Rs. 0.87 Lakhs)

8. **Leases:**

a. **Operating Leases:** The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. Rent debited to profit and loss account Rs. 31,84,860 (Rs. 29,99,691).

The lease agreements provide an option to the Company to renew the lease period at the end of the non-cancelable period. There are no exceptional / restrictive covenants in the lease agreements.

Contingent rent recognized in the Profit and Loss Account Rs. Nil

9. **Segment Reporting Policies:**

The Company is primarily engaged in the business of production of leather garments on jobwork basis and is managed as one entity, for its various service offerings and is governed by a similar set of risks and returns. The Company provides services only in India. In the opinion of the management, disclosure regarding Segment Reporting as required in Accounting Standard on Segment Reporting (AS 17) is not applicable to the Company during the year under review as there are no reportable segments.

10. **Related Party Disclosures:**

List of Related Parties over which control exists

- a. **Key Managerial Personnel**
- | | |
|---------------------|-----------------------------|
| Mrs. Madhura N Bhat | Whole time Directors |
| Mr. Sripad Rao M | Managing Director |
| Mr. E N Veeranna | Director |
| Mr. K Narayana Bhat | Director Finance |
| | Chairman |
- b. **Relatives of Key Managerial Personnel**
- Vishal Bhat - relative of Director
 - Vikas Bhat - relative of Director
- c. **Associates:**
- a. Elite Leather International Private Limited
 - b. MNS Exports Private Limited
 - c. Thrive Leathers
 - d. NP Properties P Ltd

d. **Disclosure of Related Party Transactions :**

Sl. No.	Nature of Transaction	Year Ended	Key Managerial Personnel
1.	Remuneration Paid	31 Mar 11	1599840
		31 Mar 10	1563006
2.	Advance Received	31 Mar 11	1800000
		31 Mar 10	Nil

e. Amount Due / From Related Parties

Sl. No.	Nature of Transaction	31 March 11	31 March 10
1.	Advances Receivable		
	E N Veeranna	382286	274580
2.	Trade Payables	5923599	963185
	NP Properties P Ltd	1800000	0
	Elite Leather International P Ltd	2482508	2482508
	MNS Exports P Ltd	704012	704012
	Thrive Leathers	937080	937080

11. Retirement Benefit Plans**Defined contribution plans**

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time for which shortfall has been provided for as at the Balance Sheet date.

The Company recognised Rs. 2275334 (Rs. 1935951) for provident fund contributions and in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plans

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme Master Policy of the Life Insurance Corporation of India a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date.



The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.2011.

	Particulars	As at 31-03-2011 (in Rs.)	As at 31-03-2010 (in Rs.)
1.	Change in benefit obligation		
	Projected Obligation at the beginning of the year	3793421	4022324
	Interest Cost	303474	321786
	Current Service Cost	573607	613425
	Benefits Paid	(602979)	912348
	Actuarial (Gain) / Loss	391175	(251766)
	Projected Obligation at the end of the year	4458698	3793421
2.	Change in Plan Assets		
	Fair Value of the Plan Assets at the beginning of the year	3245020	2409981
	Expected Return on Plan Assets	304918	296737
	Employer's Contributions	850197	1450650
	Benefit Paid	(602979)	912348
	Actuarial (Gain) / Loss	Nil	Nil
	Fair Value of the Plan Assets at the end of the year	3797156	3245020
	Excess of (Obligations over Plan Assets) / Plan Assets over Obligation	(661542)	(548401)
3.	Net Gratuity & other Costs at the end of the year		
	Service Cost	573607	613425
	Interest on defined benefit obligation	303474	321786
	Expected Return on Plan Assets	(304918)	296737
	Net Actuarial Gain recognized in the year	391175	(251766)
	Net Gratuity Costs for the year	963338	980182
4.	Category of assets		
	Insurer Managed Funds	3797156	3245020
5.	Assumptions		
	Discount Rate	8 %	8 %
	Salary Escalation Rate	7 %	7 %
	Expected Return on Plan Assets Rate	7 %	7 %

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held assessed risks of asset management historical results of the return on plan assets and the Company's policy for plan asset management.

12. In view of the losses the ability of the Company to continue as a going concern is dependent on the implementation of the rehabilitation scheme approved by the Board of Industrial Financial Reconstruction (Refer note 2 above). As a conservative policy Deferred Tax Assets are not recognised.

13. a. Managerial remuneration paid or payable to Directors

Amount in Rs.

Particulars	31-3-2011	31-3-2010
Remuneration	1380000	1320000
Other Benefits	219840	243006
Total	1599840	1563006

b. Note: The above represents minimum remuneration payable to the said whole time directors in view of the inadequacy of profits, computation of remuneration payable to whole time directors under section 349 of the Companies Act, 1956 is not furnished.

14. Break up of Auditors Remuneration

Particulars	31-03-2011	31-3-2010
Audit Fees	75000	75000
Tax Audit Fees	15000	15000
Certification	10000	10000
Service Tax	10300	10300
Out of pocket expenses	Nil	1395
Total	110300	111695

15. DETAILS OF SALES CONSUMPTION STOCK CAPACITY AND PRODUCTION:

The Company is currently engaged in manufacture and production of leather garments on jobwork basis. Quantitative details of sales and information as required under paragraph 3 and 4C of Part II of Schedule VI to the Companies Act, 1956, is furnished to the extent applicable to the Company for the year under review:

A. Licensed Capacity per annum :

		Licensed Capacity (per annum)	Installed Capacity (as certified by the management)	Production (excluding production on Job work basis and captive consumption)
Particulars	Unit	Quantity	Quantity	Quantity
Leather Garments & Goods	Pcs.	300000	56160	Nil



16. Provisions and Contingencies : The Company has made provision for and leave salary on estimated basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations.

Particulars	Carrying amount at the beginning of the year	Additional provision made during the year	Amounts used during the year	Unused amounts reversed during the year	Carrying amount at the end of the period
Leave Salary	640118	582849	-	640118	582849

17. Figures in Brackets pertain to previous year. The figures for the previous year have been reworked, regrouped and reclassified wherever necessary to confirm to the figures of the current year as per our report attached.

for Ishwar & Gopal

Chartered Accountants

For and on Behalf of the Board

K V Gopalakrishnayya

Partner

Membership No.: 21748

Firm Registration No: 001154S

Place : Bangalore

Date : 30th August 2011

K. NARAYANA BHAT

Chairman

MADHURA N. BHAT

Managing Director

M. SRIPAD RAO

Director

E.N. VEERANNA

Director Finance

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

[As per Part-IV of Schedule VI to the companies Act 1956]

1. Registration Details

Registration No. : U01911KA1988PLC008988
 State Code : 08
 Balance Sheet Date : 31st March 2011

2. Capital Raised during the year [Amount in Rs. Thousands]

Public Issue : Nil
 Rights Issue : Nil
 Bonus Issue : Nil
 Private Placement : Nil

3. Position of Mobilisation and Deployment of Funds [Amount in Rs. '000s]

Sources of Funds		Application of Funds	
Paid up Capital	86,428	Net Fixed Assets	10,458
Reserves & Surplus	565,312	Investments	609
Secured Loans	---	Deffered Tax Assets	---
Unsecured Loans	---	Net Current Assets	(61,414))
		Misc. Expenditure	---
		Profit & Loss A/c	702,088
Total	<u>651,741</u>	Total	<u>651,741</u>

4. Performance of the Company [Amount in Rs. Thousands]

Turnover	42,211	Profit / (Loss) for the year after Tax	3,801
Total Expenditure	38,568	Earnings Per share (in Rs.)	0.09
Profit / (Loss) for the year before tax	3,801	Dividend rate (%)	N.A.

5. Generic Names of Three Principal Products / services of the company [as per monetary terms]

Item Code No. [ITC Code]	Production Description
N.A.	Job Work Income

As per our report of even dated
 For **ISHWAR & GOPAL**
 Chartered Accountants

For and on behalf of the Board.

K.V. GOPALAKRISHNAYYA
 Partner

K. NARAYANA BHAT
 Chairman

MADHURA N. BHAT
 Managing Director

Membership No.: 21748
 Form Registration No. 001154S
 Bangalore
 30th August, 2011

M. SRIPAD RAO
 Director

E.N. VEERANNA
 Director Finance

**CASHFLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2011**

Particulars	YEAR ENDED 31-3-2011		YEAR ENDED 31-3-2010	
	Rs.	Rs.	Rs.	Rs.
A. Cashflow from operating activities				
Net Profit before tax and extraordinary items		3,800,991		9,073,334
Adjustments for				
Depreciation (net)	3,019,265		3,199,908	
Provision for inventory obsolescence	---		1,168,605	
(Profit) / Loss on Sale of Assets	---		(14,937,848)	
Dividend Received	(10,560)		(8,800)	
		3,008,705		(10,578,135)
Operating Profit / - [Loss] before working capital changes		6,809,696		(1,504,801)
Adjustment for changes in Inventories	---		---	
Trade & Other Receivables	447,031		623,307	
Trade Payable	(5,762,489)		(17,462,115)	
		(5,315,458)		(16,838,808)
Cash Generated from Operations		1,494,237		(18,343,609)
Income-tax paid (net)		(5,840)		406,696
Net Cash flow before extraordinary items		1,500,077		(18,750,305)
A. Net cashflow from Operating Activities		1,500,077		(18,750,305)
B. Cashflow from Investing Activities				
Add / (Less)				
Purchase of Fixed Assets	(13,620)		---	
Sale of Fixed Assets	---		19,113,462	
Dividend Received	10,560		8,800	
Interest Received	---		---	

CASHFLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2011

Particulars	YEAR ENDED 31-3-2011		YEAR ENDED 31-3-2010	
	Rs.	Rs.	Rs.	Rs.
B. Net cash used in Investing Activities		(3,060)		19,122,262
C. Cash Flow from financing activities				
Add / - (Less)				
Repayment of borrowings	(838,000)		(2,430,936)	
Net cash from financing activities		(838,000)		(2,430,936)
Net increase / (decrease) in				
Cash and cash equivalents (A+B+C)		659,017		(2,058,979)
Cash and cash equivalents				
Opening Balance		778,860		2,837,839
Closing Balance		1,437,876		778,860
Net Increase / (decrease) in				
Cash and cash equivalents		659,017		(2,058,979)

Note : The figures in cash flow statement are based on or have been derived from the annual financial statements of the company.

As per our report of even date

For **ISHWAR & GOPAL**,
Chartered Accountants,

For and on Behalf of the Board

K V Gopalakrishnaya
Partner
Membership No 21748
Firm Registration No. 00154S
Place : Bangalore
30th August, 2011

K. NARAYANA BHAT
Chairman

MADHURAN. BHAT
Managing Director

M. SRIPAD RAO
Director

E.N. VEERANNA
Director Finance

NAMASTE EXPORTS LIMITED

Registered Office : Namaste Complex, 21/2, Vittal Nagar,
Chamarajpet, Bangalore-560 018.

PROXY FORM

I/We _____
of _____
in the district of _____
being a Member(s) of **Namaste Exports Ltd.**, hereby appoint Shri _____
of _____ in the District of _____
failing him Shri _____
of _____ in the district of _____ as my/our proxy to vote for me/
us, on my/our behalf at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company to be held on
Friday, the 30th September, 2011 at 10.30 a.m. at G.T.R. Prince Palace, Lakshman Garden, 80 Feet Road, B.S.K.
2nd Stage, Bangalore-560 070.

Signed this _____ day of _____ 2011.

Regd. Folio No. _____

No. of Shares held _____

1/- Rupee
Revenue
Stamp

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at
Registered Office of the Company, not less than 48 hours before the meeting. The proxy need not be a member of the company.

NAMASTE EXPORTS LIMITED

Registered Office : Namaste Complex, 21/2, Vittal Nagar,
Chamarajpet, Bangalore-560 018.

ATTENDANCE SLIP

TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Full Name of the Member attending (in Block Letters) _____

Full Name of the Joint holder _____

(To be filled in if the first named holder does not attend the meeting).

Name of the Proxy _____

(To be filled in if the Proxy Form has been duly deposited with the Company)

I hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company on
Friday, the 30th September, 2011 at 10.30 a.m. at G.T.R. Prince Palace, Lakshman Garden, 80 Feet Road, B.S.K.
2nd Stage, Bangalore-560 070.

Member's / Proxy's Signature (To be signed
at the time of handing over this slip)

Regd. Folio No. _____

No. of Shares held _____

BOOK-POST

If undelivered please return to :
Namaste Exports Limited
'Namaste Complex',
21/2, Vittalnagar, Chamaraipet
Bangalore-560018.