

TWENTY FOURTH ANNUAL REPORT
2011-2012



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
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REGISTERED OFFICE	Namaste Complex # 21/2, Vittalnagar Chamarajpet Bangalore-560 018
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NOTICE

Notice is hereby given that the Twenty Fourth 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 **Saturday**, the **29th September, 2012** 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, 2012 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. E.N. Veeranna who retires by rotation, being eligible offer himself for re-appointment.
3. To appoint auditors and authorise the Board to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and subject to approval of the Central Government, if required, consent is hereby given for the re-appointment of Mr. E.N. Veeranna as Director (Finance) of the Company for a period of five years w.e.f. 01/05/2011 to 30/04/2016 under the terms and conditions as set out in the explanatory statement.

By order of the Board of Directors

For NAMASTE EXPORTS LTD.

Bangalore-560 018.
27th August, 2012

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 29th September, 2012.
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.

Bangalore-560 018
27th August, 2012

Sd /-
(K. NARAYANA BHAT)
CHAIRMAN

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM : 4**

Mr. E.N. Veeranna appointed as a Director (Finance) of the Company for a period of 5 years from 01/05/2006 to 30/04/2011. The Board at its meeting held on 27/08/2012 approved the re-appointment for a period of 5 years from 01/05/2011 to 30/04/2016 and that the remuneration committee approved the re-appointment of Mr. E.N. Veeranna at its meeting held on 30/04/2012 for a further period of 5 years increasing remuneration from Rs. 50,000 to Rs. 60,000. Considering his vast expertise in the field of financial management and long association with the Company, the Directors resolved to re-appoint Mr. E.N. Veeranna as Director (Finance) for further period of 5 years subject to the approval of the Central Government, if required, on the following terms and conditions.

1. The appointment is for a period of 5 years from 01/05/2011 to 30/04/2016.
2. He shall be responsible for financial affairs of the Company in addition to other duties and responsibilities as are entrusted to him from time to time by the Board of Directors and Chairman.
3. He shall be accountable to the Chairman in discharging his duties and the Chairman shall be his disciplinary head.
4. He shall throughout the said term of his appointment, devote the whole of his time, attention and ability to the business of the Company.
5. He shall be entitled to the following remuneration and benefits.
 - (i) Salary : Rs. 60,000/- (Rupees Sixty Thousand only) per month.
 - (ii) Perquisites and Allowances : The Director (Finance) shall be entitled to medical reimbursement equal to one month's salary; leave travel concession for self and family; personal accident insurance; company's contribution to provident fund, superannuation fund and gratuity; leave encashment at the end of the tenure including carry forward leaves under previous term and such other perquisites and allowances.
 - (iii) In case of loss or inadequacy of profits in any financial year of the Company, the Director (Finance) is entitled to all remuneration including benefits and amenities as aforesaid.
6. He shall be entitled for the re-imburement of all, actual expenses or charges incurred by him for and on

behalf of the Company in furtherance of its business and object as may be approved by the Chairman or the Board from time to time.

7. He is entitled to 30 days leave with pay and casual leave as applicable to other officers of the Company, for each year of service.
8. He shall not engage himself either directly or indirectly in any other business.
9. He shall not divulge or disclose any person, firm, company, body corporate or concern whatsoever or make any use for his own or for whatever purpose of any information confidential nature obtained by him during his employment as to the business affairs of the Company or as to the trade secrets or any information relating to the Company except particulars which are to be disclosed by the Company in the ordinary course of business.
10. The Company shall be entitled to terminate this agreement in the event of he being guilty of misconduct or such inattention to or negligence in the discharge of his duties.
11. Notwithstanding anything herein contained either party hereto shall have the option to terminate the appointment by giving 3 months notice in writing to the other party to that effect.
12. He hereby undertake with the express knowledge of Section 630 of the Companies Act, 1956, that at the time of expiry of his term of appointment, he will return to the Company all and any property, both movable and immovable that may come in his possession during the period of his service or which may be put in his possession by the Company during the period of his employment.

Except Mr. E.N. Veeranna, the proposed appointee, no other director is interested or concerned in this matter.

The above terms and conditions are to be taken as an abstract and the Memorandum circulated to the members of the Company in terms of Section 302 of the Companies Act, 1956.

Keeping the above in view and the demand on the role of the Director (Finance) the Board of Directors of the Company will have the option to review and revise the present remuneration package suitably, commensurate with qualification, experience and utility.

By order of the Board of Directors

Sd /-

Bangalore-560 018
27th August, 2012

(K. NARAYANA BHAT)
CHAIRMAN

DIRECTORS REPORT

To The Members

Directors present the Twenty Fourth Annual Report of the Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2012.

FINANCIAL RESULTS

	(Rs. in Thousands)	
	2011-2012	2010-2011
Sales & Other Income	52351	42369
Profit(Loss) Before Interest Depreciation & Non Operative (Loss) / Profit	4716	6923
Less / (Add)		
Interest	13	97
Depreciation	565	3019
Non-Operative loss	—	—
Profit (Loss) before Tax	4138	3807
Profit (Loss) after Tax	4138	3807
Add/(Less):		
Prior year Adjustments	—	—
Loss brought forward	(702088)	(705895)
Less reduction in equity share capital	—	—
Loss carried to Balance Sheet	697949	702088

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 third 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.

For and on behalf of the Board of Directors

Bangalore-560 018
27th August, 2012

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 2011-12 Five meetings of the Board of Directors were held during April, July, August, October 2011 respectively and January 2012. 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	-	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 lyengar - Chairman of the Committee
- (ii) Mrs. Madhura N. Bhat - Member
- (iii) Mr.E.N.Veeranna - Member

4. GENERAL SHAREHOLDER INFORMATION :

- (a) Twenty Fourth Annual General Meeting :
Day / Date, Friday, the 29th September 2012
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 2009 (b) 31st March 2010 and 31st March 2011 held at GTR Prince Palace, Lakshma Garden, 80 Ft. Road, B.S.K. 2nd Stage, Bangalore - 560 070 on 30-09-09, 30-09-10 and 30-09-11, respectively and no special resolution was passed by exercising postal ballot.

- (c) Date of Book Closure : 29th September 2012.

Financial year : The financial year covers the period from 1st April 2011 to 31st March 2012.

- (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 2012. 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 2012.

No. of Equity Shares	No. of share holders	% of share holders	No. of shares held	% of share holding
Upto - 2,500	9726	80.517	1142220	2.643
2,501 - 5,000	1377	11.411	546130	1.264
5,001 - 10,000	582	4.823	485380	1.123
10,001 - 20,000	206	1.707	305690	0.707
20,001 - 30,000	60	0.497	151110	0.350
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	192750	0.446
1,00,000 and above	56	0.464	40213790	93.057
Total	12077	100.00	43214230	100.00

(g) Shareholding Pattern as on 31st March 2012

Category	No. of Share holders	No. of Equity shares	Percentage
Promoters	81	22733565	52.61
Financial Institutions/Banks	9	5678050	13.14
Mutual Funds	9	33200	00.08
Central/State Govt.	1	2051200	04.75
Bodies Corporate	127	9364150	21.67
Foreign Institutional Investors	1	4500	0.01
Public	11798	3322527	7.69
Others	51	27038	0.06
TOTAL	12077	43214230	100.00

(h) Dematerialisation of Shares as on 31.03.2012

As on 31st March 2012, 3.51 % 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. : 080-26742252
- (j) Appointment of RTA : Your company has initiated action for appointment of M/s. Integrated Enterprises (India) Ltd. No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 as Registered Transfer Agent (RTA) and the proposal is in progress. When once it is cleared it will give service for Demat as well as Physical Transfer of Shares of your company.



- (k) 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.
- (l) Shareholders Email ID : Shareholders are requested to provide their email-id to our email-id **shares.nel@gmail.com** which will enable us to provide corporate information in line with the guidelines issued by SEBI on corporate governance.
- (m) Your company has made application to BSE for revocation of suspension of Trading and for Listing additional shares issued as per BIFR directives. Your company expects early clearance from BSE.
- (n) Shareholders may correspond with the Company at its Registered Office and or with the Registrars and Share Transfer Agent, M/s. Tata Darashaw Limited.
- (o) Status of Investors - Complaints received during the period 1st April 2011 to 31st March 2012 - There are no pending complaints as on 31st March 2012.
- 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
27th August, 2012.

(K. NARAYANA BHAT)
CHAIRMAN

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.

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 2012 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 : 27th August, 2012.

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, 2012 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

Bangalore-560 018
27th August, 2012.

Sd /-
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 2012 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. These 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) On the basis of written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 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 1.2 of Notes to Accounts).

- (vii) **Subject to note no. 1.2 (vi) of Notes to 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 2012;
- 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 : 27th August 2012

ANNEXURE TO THE AUDITOR'S REPORT

<p>(i) Fixed Assets</p> <p>(a) The Company has maintained records showing particulars including quantitative details and the situation of its fixed assets.</p> <p>(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 which were not material have been dealt properly in the books of accounts.</p> <p>(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.</p>	<p>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.</p> <p>(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 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>(ii) Inventory</p> <p>The operations of the Company during the year do not involve any inventory. Accordingly clause 4 (ii) (a) to (c) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company for the year under review.</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>(vii) The Company has a system of internal audit commensurate with its size and nature of its business;</p>
<p>(iii) Loans</p> <p>The Company had not granted / 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) (a) to (g) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company for the year under review.</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>(ix) Statutory Liabilities</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.</p> <p>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>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>(iv) Internal Control Procedures</p> <p>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;</p>	
<p>(v) Related Party Transactions</p> <p>(a) Based on the audit procedures applied by us and according to the information and</p>	



- (b) According to the information and explanation given to us disputed dues of Wealth tax Customs Duty Service tax Sales tax Income Tax Excise Duty that have not deposited on account of any dispute are detailed below to the extent identified from the records of the Company.
- (x) The Company has accumulated losses of more than 50 % of its net worth at the end of the financial year and has not incurred cash losses in the immediately preceding year.
- (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.
- (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;
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/ society and clause xiii of the Order (as amended) is not applicable.
- (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.
- (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;
- (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.
- (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.
- (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;
- (xix) Since there are no debentures outstanding at the end of the year, clause 4 (ix) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company for the year under review.
- (xx) The Company has not raised any money by public issues during the year;
- (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.

for Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner

Membership No.: 21748
Firm Registration No: 001154S
Place : Bangalore
Date : 27th August 2012

BALANCE SHEET AS AT 31ST MARCH 2012

Particulars	Note	AS AT 31-03-2012		AS AT 31-03-2011	
		Rs.	Rs.	Rs.	Rs.
I. EQUITY AND LIABILITIES					
Shareholders Funds					
Share Capital	2.1	86,428,460		86,428,460	
Reserves & Surplus	2.2	<u>(132,637,015)</u>	<u>(46,208,555)</u>	<u>(136,775,770)</u>	<u>(50,347,310)</u>
CURRENT LIABILITIES					
Other Current Liabilities	2.3	56,554,563		65,872,405	
Short-term Provisions	2.4	<u>1,178,611</u>	<u>57,733,174</u>	<u>1,244,391</u>	<u>67,116,796</u>
TOTAL			<u>11,524,619</u>		<u>16,769,486</u>
II. ASSETS					
NON-CURRENT ASSETS					
Fixed Assets :	2.5				
Tangible Assets	2.5	5,133,014		10,457,675	
Non-Current Investments	2.6	609,229		609,229	
Long-term Loans & Advances	2.7	2,018,229		2,193,434	
Other non-current assets	2.8	<u>-</u>	<u>7,760,472</u>	<u>-</u>	<u>13,260,338</u>
CURRENT ASSETS					
Cash and Bank Balances	2.9	1,000,816		1,437,876	
Short-term loans & advances	2.10	<u>2,763,330</u>	<u>3,764,146</u>	<u>2,071,271</u>	<u>3,509,147</u>
TOTAL			<u>11,524,619</u>		<u>16,769,486</u>
Significant Accounting Policies & Notes to accounts	1.1 & 1.2				

Schedules referred to herein form an integral part of the Balance Sheet

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

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

Bangalore
Dated : 27th August, 2012

For and on behalf of the Board of Directors

K. NARAYANA BHAT
Chairman

MADHURA. N. BHAT
Managing Director

M. SRIPAD RAO
Director

E.N. VEERANNA
Director Finance

**STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012**

Particulars	Note	Year Ended 31-03-2012		Year Ended 31-03-2011	
		Rs.	Rs.	Rs.	Rs.
I. REVENUE					
Revenue from Operations - Jobwork Receipts			52,273,659		42,210,838
Other Income	2.11		77,403		158,242
TOTAL REVENUE			52,351,062		42,369,080
II. EXPENSES					
Employee benefits expense	2.12		30,989,300		27,454,697
Finance costs	2.13		12,595		97,118
Depreciation and amortization expense	2.5		564,588		3,019,265
Other expenses	2.14		16,645,825		7,997,009
TOTAL EXPENSES			48,212,307		38,568,088
PROFIT / (LOSS) BEFORE TAX			4,138,755		3,800,991
Tax Expenses :					
Short/(excess) provision of tax relating to earlier years			-		(5,840)
PROFIT / (LOSS) FOR THE YEAR			4,138,755		3,806,831
Earnings per equity Share :					
Basic			0.10		0.09
Diluted			0.10		0.09
Significant Accounting Policies & Notes to Accounts	1.1 & 1.2				

Schedules referred to herein form
an integral part of the Statement of Profit & Loss

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

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

Bangalore
Dated : 27th August, 2012

For and on behalf of the Board of Directors

K. NARAYANA BHAT
Chairman

MADHURA. N. BHAT
Managing Director

M. Sripad Rao
Director

E.N. Veeranna
Director Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

Amount in Rs.

Particulars	2011-12	2010-11
A. CASH FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	4,138,755	3,800,991
Adjustments for:		
Prior Period Adjustments (Net)		
Depreciation	564,588	3,019,265
Dividend Income	(19,360)	(10,560)
Loss on discard of assets	4,791,057	-
Operating Profit /(Loss) before working capital changes	9,475,040	6,809,696
Adjustment for changes in :		
Trade & other receivables	(148,801,674)	447,030
Trade & other payables	138,901,199	(5,762,490)
Cash generated from operations	(425,435)	1,494,236
Income tax paid (net)	-	(5,840)
Net Cash Flow before extraordinary items	(425,435)	1,500,076
Net Cash Flow from/(used in) Operating Activities	(425,435)	1,500,076
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Fixed Assets	(30,984)	(13,620)
Dividend Income	19,360	10,560
Net Cash Flow from/(used in) Investing Activities	(11,624)	(3,060)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Repayment of Borrowings	-	(838,000)
Net Cash Flow from/(used in) Financing Activities	-	(838,000)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	(437,060)	659,016
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,437,876	778,860
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,000,816	1,437,876
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(437,060)	659,016

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

For and on behalf of the Board of Directors

K.V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No: 001154S

K. Narayana Bhat
Chairman

Madhura N. Bhat
Managing Director

Place : Bangalore
Date : 27.08.2012

M. Sripad Rao
Director

E. N. Veeranna
Director Finance

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1. CORPORATE INFORMATION**

The Company is engaged in the manufacturing of leather garments.

1.1 SIGNIFICANT ACCOUNTING POLICIES:**a. Basis of preparation of financial statements**

The financial statements are prepared under the historic cost conversion, on the basis of a going concern and as per applicable Notified Accounting Standards laid down in Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956. The Company follows mercantile system of accounting and recognizes Income and Expenditure on accrual basis. The accounting policies have been diligently applied by the Company and are consistent with those used in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the period under review. Although these estimates are based upon the Managements best knowledge of current events and actions, actual results could differ from these estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made, if material, their effects are disclosed in the notes to the financial statements.

c. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, expenses incidental to the installation of the assets, cost of bringing the asset to its working condition for its intended use and attributable borrowing costs.

d. Depreciation

The Company provides depreciation on fixed assets on Straight Line Value Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions/deletions during the year has been provided for on pro-rata basis. Assets purchased/installed during the year costing less than Rs.5, 000/- each are fully depreciated.

e. 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 the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price or value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

f. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost.

g. Inventories

Inventories are valued at lower of cost and net realizable value and cost is determined on FIFO/Weighted Average method. Cost of inventories comprises of cost of purchase, cost of conversion and other cost including appropriate production overhead incurred in bringing such inventories to their present location and condition.

h. Employee Benefits**i) Post-Employment Benefit Plans:**

Contribution to defined contributory 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 Project Unit Credit Method, with actuarial valuation being carried out at each Balance Sheet Date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise it is amortized on straight-line basis over the average period until the benefits become eligible for being vested.

ii) Short Term Employee Benefits:

The amount payable on account of short term employee benefits comprising largely of salaries and wages, annual bonus is valued on an undiscounted basis and charged to the Statement of Profit and Loss for the year.

i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i) Rendering of Services:

Revenue consists of jobwork receipts which are recognised keeping in view the arrangements with customers or trade practice.

ii) Dividend Income:

Dividend income is accounted for when the right to receive is established.

iii) Interest Income:

Interest Income is recognized on a time proportionate basis taking into account the amount outstanding and the rate applicable.

j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition and construction of qualifying assets are capitalized as part of the cost of asset up to the date such asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

k) Taxation

i) Current Tax:

Provision for current taxation has been made in accordance with the Income Tax laws applicable to the assessment year.

ii) Deferred Tax:

The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognized only if there is a virtual certainty of its realization supported by convincing evidence. Deferred tax asset on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization. At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassure realization. 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 1.2 below). As a conservative policy Deferred Tax Assets are not recognised.

l) Foreign Currency Transactions:

Foreign currency transactions are dealt with in accordance with the Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", notified by the Companies (Accounting Standards) Rules, 2006.

m) 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 earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the



weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n) Accounting for Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined as best estimates required to settle the obligation at the Balance Sheet date.

Contingent Liabilities are not recognised but disclosed by way of notes to accounts in case of:

- i) A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle that obligation;
 - ii) A present obligation when no reliable estimate is possible; and
 - iii) A possible obligation arising from past events where the probability of outflow of resources is remote.
- Contingent Assets are neither recognised nor disclosed in the financial statements.

1.2 REHABILITATION SCHEME:

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. The Company has provided Rs. 15,00,000 towards fee payable for increase in authorised capital and interest of Rs. 20,93,468 payable up to the date of the Balance Sheet.
- 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.
- 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) During 2009 / 2010, the Company has filed a modified scheme considering amalgamation of Success Apparels Private Limited, a profit making leather garment manufacturer and export Company with the Company. The same is under consideration of BIFR.

1.3 DETAILS OF SECURITIES TO LOANS:

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 1.2). Company is in the process of filing satisfaction of charges with Registrar of Companies in respect of these charges.

1.4 CURRENTS ASSETS AND 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.

1.5 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	Year ended 31st March, 2012		Year ended 31st March, 2011	
		Principal	Interest	Principal	Interest
a)	Principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil	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	Nil	Nil
c)	The amount of further 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	Nil	Nil
d)	The amount of interest accrued and remaining unpaid at the end of each accounting year;	Nil	Nil	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	Nil	Nil

1.6 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. 31,88,160 (Rs. 31,84,860).

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.

1.7 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.

1.8 RELATED PARTY TRANSACTIONS:

a. Relationship during the year :

(i) Key Managerial Personnel :	1. K. Narayana Bhat 2. Mrs. Madhura N. Bhat 3. Mr. E.N. Veeranna 4. M. Sripad Rao	Chairman Managing Director Finance Director Director
(ii) Relatives of Key Managerial Personnel :	1. Vishal Bhat 2. Vikas Bhat	Relative of Director Relative of Director
(iii) Associates :	1. Elite Leather International Private Limited 2. MNS Exports Private Limited 3. N.P. Properties Private Limited 4. Thrive Leathers 5. Success Apparels Private Limited (w.e.f. 01.10.11)	

**b. Transactions Carried out with related parties referred above :**

Particulars	Year ended 31st March 2012	Year ended 31st March 2011
a) Transactions with related parties		
Remuneration Paid :		
1. Mrs. Madhura N. Bhat	470,400	396,000
2. Mr. Sripad Rao M.	434,345	366,000
3. Mr. E.N. Veeranna	858,840	771,840
TOTAL	1,763,585	1,533,840
Leather Processing Charges received from Success Apparels Private Limited	3,67,33,617	-
b) Dues to Associates :		
1. Elite Leather International Private Limited	2,482,508	2,482,508
2. MNS Exports Private Limited	704,012	704,012
3. N. P. Properties Private Limited	1,800,000	1,800,000
4. Thrive Leathers	-	937,080
	4,986,520	5,923,599
c) Dues to Directors :		
1. Mrs. Madhura N. Bhat	846,326	546,686
2. Mr. Sripad Rao M.	192,000	64,000
3. Mr. E.N. Veeranna	6,775	-
4. Mr. K. Narayana Bhat	223,224	345,803
5. Mr. M. Sripad Rao	6,696	6,696
	1,275,021	963,185
d) Dues from Directors :		
1. Mr. E.N. Veeranna	-	382,286.00
TOTAL	-	382,286.00
e) Advances from Associates		
Success Apparels Limited	38,829,074	521,100,420

1.9 RETIREMENT BENEFIT PLANS:**a. Defined contribution plans:**

The Company makes Provident Fund contribution to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized Rs.24,63,097/- (Rs. 22,75,334/-) for provident fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the respective scheme.

b. Defined benefit plans:

The Company makes the provision to the Employees' Gratuity Scheme for eligible employees. The scheme provides for lump sum payment to eligible employees at retirement, death while in employment or on termination of employment, an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Eligibility occurs upon completion of five years of service. The present value of the defined benefit obligation and 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 March 31, 2012:

Particulars	As at 31-03-2012	As at 31-03-2011
(a) Change in benefit obligation :		
Projected benefit Obligation, beginning of the year (April 1, 2011)	4,458,698	3,793,421
Service Cost	671,351	573,607
Interest Cost	356,696	303,474
Benefits Paid	403,505	(602,979)
Actuarial (Gain) / Loss	(117,394)	391,175
Projected Obligation at the end of the year	5,200,634	4,458,698
(b) Change in Plan Assets :		
Fair value of plan assets, beginning of the year (April 1, 2011)	3,797,156	3,245,020
Expected return on plan assets	355,062	304,918
Employer's contributions	1,099,842	850,197
Benefits paid	403,505	(602,979)
Actuarial (gain) / loss	-	-
Fair value of plan assets at the end of the year	4,848,555	3,797,156
Excess of (obligation over plan assets) / plan assets over obligation	(352,079)	(661,542)
(c) Net gratuity and other cost for the year ended March 31, 2012 :		
Service cost	671,351	573,607
Interest on defined benefit obligation	356,696	303,474
Expected return on plan assets	355,062	304,918
Net actuarial gain recognized in the year	(117,394)	391,175
Net gratuity and other cost	790,379	963,338
(d) Category of Assets as at March 31, 2012 :		
Insurer Managed Funds	4,848,555	3,797,156
(e) Assumptions used in accounting for the gratuity plan :		
Discount rate	8%	8%
Salary escalation rate	7%	7%
Expected return on plan assets	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.

1.10 DETAILS OF PAYMENT TO THE AUDITOR :

Particulars	Year ended	
	As at 31-03-2012	As at 31-03-2011
For Company Law matters	75,000	75,000
For Taxation matters	15,000	15,000
For Management services- Certification	10,000	10,000
Service Tax	12,360	10,300
For Reimbursement of expenses	760	-
TOTAL	113,120	110,300

**1.11 LEASES:**

Obligations on long-term, non-cancelable operating leases :

Particulars	Year ended	
	As at 31-03-2012	As at 31-03-2011
Lease rentals recognized during the year	3,188,160	3,184,860
Lease obligations payable:		
Within one year of the Balance Sheet date	3,416,136	3,188,160
Due in a period between one year and five years	6,832,272	9,564,480
Due after five years	-	-
TOTAL	13,436,568	15,937,500

The operating lease arrangements are renewable on a periodic basis. Some of these lease agreements have price escalation clauses.

1.12 EARNING PER SHARE :

Earnings per share is calculated in accordance with Accounting Standard 20 - "Earnings per share", notified by the Companies (Accounting Standards) Rules, 2006:

Particulars	2011-12	2010-11
Profit Before Tax and Extra Ordinary Items	4,138,755	3,800,991
Less: Current year tax	-	-
Deferred Tax		
Profit After Tax but before Extra Ordinary Items	4,138,755	3,800,991
Extra Ordinary Items	-	-
Profit After Tax and Extra Ordinary Items	4,138,755	3,800,991
Weighted average no. of Equity shares:		
Basic	43,214,320	43,214,320
Diluted	43,214,320	43,214,320
Earnings per Share - Basic:		
Before extra ordinary items	0.10	0.09
After extra ordinary items	0.10	0.09
Earnings per Share - Diluted:		
Before extra ordinary items	0.10	0.09
After extra ordinary items	0.10	0.09

1.13 PROVISIONS AND CONTINGENCIES:

The Company has made provision for 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. The following table sets out the funded status of the leave salary and the amounts recognized in the Company's financial statements as at March 31, 2012:

Particulars	As at 31-03-2012	As at 31-03-2011
Carrying amount in the beginning of the year	582,849	640,118
Additional provision made during the year	243,683	-
Amounts used during the year	-	-
Unused amounts reversed during the year	-	57,269
Carrying amount in the end of the year	826,532	582,849

1.14 The previous figures have been regrouped / reclassified, wherever necessary to confirm to the current presentation. Figures in brackets are in respect of previous year.

NOTES FORMING PART OF THE BALANCE SHEET

Particulars	AS AT 31-03-2012		AS AT 31-03-2011	
	Rs.	Rs.	Rs.	Rs.

Note - 2.1 **SHARE CAPITAL**

AUTHORISED :

25,00,00,000 (25,00,00,000) Equity Shares of par value Rs. 2 (Rs. 2) each

500,000,000	500,000,000
<u>500,000,000</u>	<u>500,000,000</u>

ISSUED SUBSCRIBED AND FULLY PAID UP

43,214,230 (43,214,230) Equity Shares of par value Rs. 2 each Fully Paid up

86,428,460	86,428,460
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Shareholders holding more than 5% of the total number of shares of the company

Name of the Shareholders	No. of Shares	% of Holding
MNS Exports Private Limited	3,865,000	8.94
Success Apparels Private Limited	3,330,000	7.71
State Bank of India	3,987,850	9.23
Sharadamma	2,280,000	5.28
Mrs. Madhura N. Bhat	7,726,550	17.88
Mr. K. Narayan Bhat	3,092,050	7.16

There has been no movement in the share capital during the previous year and the immediate preceding previous year.

Terms / Rights attached to equity shares:

The Company has only one class of equity shares having par value of Rs. 2 per share. Each holder of an equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of share holders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of shares held by the equity share holders.

TOTAL	<u>86,428,460</u>	<u>86,428,460</u>
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Note - 2.2 **RESERVES & SURPLUS**

CAPITAL RESERVE :

Balance as per last Balance Sheet 1,671,000 1,671,000

SECURITIES PREMIUM ACCOUNT :

Balance as per last Balance Sheet 244,987,193 244,987,193

DEBENTURE REDEMPTION RESERVE :

Balance as per last Balance Sheet	10,500,000	10,500,000
Less : Transferred to General Reserve	<u>(10,500,000)</u>	<u>-</u>
		10,500,000

GENERAL RESERVE

Balance as per last Balance Sheet	308,154,044	308,154,044
Add : Transfer from Debenture Redemption Reserve	<u>10,500,000</u>	<u>-</u>
	318,654,044	308,154,044

SURPLUS / (DEFICIT) IN STATEMENT OF PROFIT AND LOSS ACCOUNT :

Balance as per last Balance Sheet	(702,088,007)	(705,894,838)
Add : Net Profit after tax transferred from Statement of Profit & Loss	<u>4,138,755</u>	<u>3,806,831</u>
	<u>(697,949,252)</u>	<u>(702,088,007)</u>
TOTAL	<u>(132,637,015)</u>	<u>(136,775,770)</u>



Particulars	AS AT 31-03-2012		AS AT 31-03-2011							
	Rs.	Rs.	Rs.	Rs.						
Note - 2.3										
OTHER CURRENT LIABILITIES										
OTHER PAYABLES										
Dues to associates		4,986,520		5,923,599						
Advance Received		38,829,074		52,100,420						
Statutory Liabilities		267,678		254,981						
Salary and other employee benefits payable		6,197,674		6,098,444						
Expenses Payable		4,998,597		914,062						
Dues to Directors		1,275,021		580,899						
	TOTAL	<u>56,554,563</u>		<u>65,872,405</u>						
Note - 2.4										
SHORT-TERM PROVISIONS										
Provision for employee benefits :										
Gratuity Obligation		352,079		661,542						
Unavailed Leave Salary		826,532		582,849						
	TOTAL	<u>1,178,611</u>		<u>1,244,391</u>						
Note 2.5										
FIXED ASSETS										
Particulars	GROSS BLOCK				DEPRECIATION / AMORTIZATION BLOCK				NET BLOCK	
	As at 1-4-2011	Additions during the year	Deductions during the year	As at 31-3-2012	As at 1-4-2011	For the Year	Withdrawn	As at 31-3-2012	As at 31-3-2012	As at 31-3-2011
TANGIBLE ASSETS										
1. Land (Freehold)	3,706,624	—	—	3,706,624	—	—	—	—	3,706,624	3,706,624
2. Building	923,511	—	—	923,511	570,020	30,845	—	600,865	322,646	353,491
3. Plant & Machineries	62,929,914	16,984	47,681,609	15,256,289	56,523,354	533,148	42,890,552	14,165,951	1,090,338	6,397,560
4. Furniture & Fixtures	3,651,529	—	3,651,529	—	3,651,529	—	3,651,529	—	—	—
5. Vehicles	2,148,842	14,000	2,148,842	14,000	2,148,842	594	2,148,842	594	13,406	—
6. Computer Equipment	2,658,481	—	2,658,481	—	2,658,481	—	2,658,481	—	—	—
Grand Total	76,009,901	30,984	56,140,461	19,900,424	65,552,226	564,588	51,349,404	14,767,410	5,133,014	10,457,675
Previous Year	111,139,698	13,620	35,143,418	76,009,901	97,676,380	3,019,265	35,143,418	65,552,226	10,457,675	—

Particulars	AS AT 31-03-2012		AS AT 31-03-2011	
	Rs.	Rs.	Rs.	Rs.
Note - 2.6				
NON-CURRENT INVESTMENTS				
A. NON-TRADE INVESTMENTS - At Cost				
Investments in Government or trust securities		5,729		5,729
Investments in Equity Instruments :				
1. Unquoted - Non Trade				
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>	272,500	<u>262,500</u>	272,500
2. Quoted - Non Trade				
a. Industrial Development Bank of India 2,200 (2,200) shares of Rs. 10 each fully paid	<u>286,000</u>	286,000	<u>286,000</u>	286,000
Investments in Mutual Funds				
Principal Mutual Fund Gifts (PNB Gifts) 9,121 (9,121) Equity Shares of Rs. 10 each fully paid	<u>45,000</u>	45,000	<u>45,000</u>	45,000
TOTAL OF INVESTMENTS		609,229		609,229
	Market Value	Cost	Market Value	Cost
Aggregate amount of quoted investments and market value thereof	485,629	331,000	564,740	331,000
Aggregate amount of unquoted investments		278,229		278,229
Aggregate provision of diminution in value of investments		-		-
Note - 2.7				
LONG TERM LOANS AND ADVANCES				
Unsecured - considered good				
Security / Earnest Money Deposits		433,434		433,434
Rental Deposits		<u>1,584,795</u>		<u>1,759,850</u>
TOTAL LONG-TERM LOANS AND ADVANCES		2,018,229		2,193,434



Particulars	AS AT 31-03-2012		AS AT 31-03-2011	
	Rs.	Rs.	Rs.	Rs.
Note - 2.8				
OTHER NON-CURRENT ASSETS				
Long term trade receivables				
Unsecured considered	-	-	-	-
Doubtful	-	-	14,177,371	14,177,371
Less Provision for bad and doubtful debts		-		14,177,371
TOTAL		-		-
Note - 2.9				
CASH AND BANK BALANCES				
Cash & Cash Equivalents				
Balance with banks - with Scheduled Bank in India on Current Account		956,836		1,429,040
Cash on hand		43,980		8,836
TOTAL		1,000,816		1,437,876
Note - 2.10				
SHORT-TERM LOANS & ADVANCES				
(Unsecured - considered good unless otherwise stated)				
Loans and advances to employees		161,192		167,506
Prepaid Expenses		158,839		106,004
Advance Income tax / Tax Deducted at Source		2,442,579		1,797,761
TOTAL		2,763,330		2,071,271
Note - 2.11				
OTHER INCOME				
Interest from others		28,043		66,493
Dividend Income		19,360		10,560
Provision no longer required withdrawn		-		51,189
Rent Received		30,000		30,000
TOTAL		77,403		158,242
Note - 2.12				
EMPLOYEE BENEFITS EXPENSE				
Salaries, wages & bonus		25,827,936		23,428,223
Contribution to provident & other funds		4,402,360		3,323,171
Staff welfare expenses		759,004		703,303
TOTAL		30,989,300		27,454,697
Note - 2.13				
FINANCE COSTS				
Interest Costs		-		92,400
Bank Charges		12,595		4,718
TOTAL		12,595		97,118

Particulars	AS AT 31-03-2012		AS AT 31-03-2011	
	Rs.	Rs.	Rs.	Rs.
Note - 2.14				
OTHER EXPENSES				
Factory Maintenance		23,327		30,088
Power, Fuel & Water		1,506,564		1,499,847
Repairs :				
Building		-	206,000	
Plant & Machinery	36,942		99,387	
Others	435,299	472,241	216,965	522,352
Office Maintenance		13,733		-
Rent & Hiring Charges		3,188,160		3,209,760
Rates & Taxes [Includes filing fees payable to the Registrar of Companies for increase in authorised capital. Refer Note 1.2 in Notes to Accounts]		3,640,131		33,383
Insurance		8,348		34,058
Travelling & Conveyance		432,322		278,526
Communication expenses		332,019		426,360
Postage & Courier Charges		66,957		64,281
Advertisement & Pulblicity		15,641		6,025
Registration & Subscriptions		17,032		35,430
Printing & Stationery		146,161		145,384
Licence/Renewal Fee		714,283		223,655
Legal & Professional Fee		407,094		128,833
Donations		7,750		15,250
Auditor's Remuneration		113,120		110,300
Security Charges		510,661		459,157
Directors Sitting Fees		52,500		22,500
Business Promotion		2,784		-
Loss on discard plant and machinery		4,791,057		-
Bad Debts	14,302,426		692,500	
Less : Provision for doubtful debts withdrawn	14,177,371	125,055	-	692,500
Miscellaneous Expenses		58,885		59,320
TOTAL		16,645,825		7,997,009

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 FOURTH ANNUAL GENERAL MEETING of the Company to be held on
Saturday, the 29th September, 2012 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 FOURTH ANNUAL GENERAL MEETING of the Company on
Saturday, the 29th September, 2012 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, Chamarajpet
Bangalore-560018.