

NAMASTE EXPORTS LIMITED



***TWENTY FIFTH ANNUAL REPORT
2012-2013***



BOARD OF DIRECTORS	Mr. K. Narayana Bhat	Chairman
	Mr. K. Vinod Bhat	Managing Director
	Mr. K. Vishal Bhat	Director
	Mr. M. Sripad Rao	Whole-time Director
	Mr. E.N. Veeranna	Whole-time Director
	Mr. A. Gopala Iyengar	Independent Director
	Mrs. Geetha Santhanagopalan	Independent 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 Fifth 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 **Monday, the 30th September, 2013 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, 2013 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. K. Vishal Bhat 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 and Schedule XIII of the Companies Act, 1956 and subject to approval of the Central Government, if required, consent is hereby given for the appointment of Mr. K. Vinod Bhat as Managing Director of the Company for a period of five years w.e.f. 01/11/2012 to 31/10/2017 under the terms and conditions as set out in the explanatory statement.

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

“RESOLVED THAT Mrs. Geetha Santhanagopalan, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 30/10/2012 and who holds office as such upto the date of Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from member of the Company signifying intention to propose Mrs. Geetha Santhanagopalan as her candidature for the office of Director of the Company, be and is hereby appointed as a regular Director of the Company liable to retire by rotation”.

By order of the Board of Directors

For NAMASTE EXPORTS LTD.

Sd /-

Bangalore-560 018.

(K. NARAYANA BHAT)

1st September 2013

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, 2013.
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
1st September 2013

(K. NARAYANA BHAT)
CHAIRMAN

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

The Board of directors at its meeting held on 30/10/2012 approved the appointment of Mr. K. Vinod Bhat, Director of the Company as Managing Director of the company for a period of 5 years from 01/11/2012 to 31/10/2017 and that the remuneration committee approved the appointment of Mr. K. Vinod Bhat at its meeting held on 31/10/2012. Considering his vast expertise in the field of leather industry and long association with the Company, resolved to appoint Mr. K. Vinod Bhat as Managing Director for a 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 01/11/2012 to 31/10/2017.
2. He shall be responsible for overall management and supervision 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 authority.
4. He shall throughout of 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. 50,000/- (Rupees Fifty Thousand only) per month.
 - (ii) Perquisites and Allowances : The Managing Director 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 Managing Director 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.

In terms of Part III of Schedule XIII of the Act, the appointment and remuneration of Mr. Vinod Bhat made as per parts I and II of the Schedule XIII shall be subject to the approval of shareholders in general meeting. The board recommends passing of this resolution.

Except Mr. K. Vinod Bhat, 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 Managing Director the Board of Directors of the Company will have the option to review and revise the present remuneration package suitably, commensurate with expertise and utility.

ITEM No. 5:

Mrs. Geetha Santhanagopalan, was appointed as an additional Director of the Company on 30/10/2012 and her term comes to end at ensuing AGM. Since she is eligible for the re-appointment offered herself for the appointment as regular Director of the Company. A notice is received from a member of the Company signifying the intention to propose Mrs. Geetha Santhanagopalan as her candidature for the office of the Director.

The Board recommends passing of the resolution in the interest of the Company.

None of the Directors is interested or concerned in this resolution.

By order of the Board of Directors

Sd /-

Bangalore-560 018

(K. NARAYANA BHAT)

1st September 2013

CHAIRMAN

DIRECTORS REPORT

To The Members

Directors present the Twenty Fifth Annual Report of the Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2013.

FINANCIAL RESULTS

	(Rs. in Thousands)	
	2012-2013	2011-2012
Sales & Other Income	69996	52351
Profit(Loss) Before Interest Depreciation & Non Operative (Loss) / Profit	25709	4716
Less / (Add)		
Interest	11	13
Depreciation	437	565
Non-Operative loss	-	-
Profit (Loss) before Tax	25261	4138
Profit (Loss) after Tax	25261	4138
Add/(Less):		
Prior year Adjustments	-	-
Loss brought forward	(697949)	(702088)
Less reduction in equity share capital	-	-
Loss carried to Balance Sheet	672687	697949

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. The revised Merger proposal of Success Apparels Pvt. Ltd., (SAPL) with Namaste Exports Ltd. (NEL) is vetted by IDBI and recommended to BIFR for favourable consideration of merger proposal submitted by the company. The company has earned profits for three years 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.

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:

- (i) 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.
- (ii) 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.
- (iii) 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
30th May 2013

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 2012-13 Five meetings of the Board of Directors were held during April, July, August, October 2012 respectively and January 2013. 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>Director</i>	5	2	No
Mr. K. Vinod Bhat <i>Managing Director</i>	5	-	No
Mr. K. Vishal Bhat <i>Director</i>	5	2	No
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. A. Gopala Iyengar <i>Independent Director</i>	5	4	No
Mrs. Geetha Santhanagopalan <i>Independent Director</i>	5	2	No

Mrs. Geetha Santhanagopalan as additional director in the Board of Director's Meeting held on 30-10-2012 as her tenure ends at the ensuing AGM offered herself since eligible, for regular director of the company.

3. Sub Committees of the Board :-

The terms of reference of Sub-Committees of the board 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). A. Gopal Iyenger (Chairman of the Committee)
- (ii). Mrs. Geetha Santhanagopalan
- (iii). K. Narayana Bhat

The remuneration Committee comprises of :

- (i). Mrs. Geetha Santhanagopalan (Chairman of the Committee)
- (ii). A. Gopala Iyenger
- (iii). K. Narayana Bhat

The Grievance Committee comprises of :

- (i). A. Gopala Iyenger (Chairman of the Committee)
- (ii). Geetha Santhanagopalan
- (iii). K. Narayana Bhat

4. GENERAL SHAREHOLDER INFORMATION :

- (a) Twenty Fifth Annual General Meeting :
Day / Date, Monday, the 30th September 2013
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 2010 (b) 31st March 2011 and (c) 31st March 2012 held at GTR Prince Palace, Lakshma Garden, 80 Ft. Road, B.S.K. 2nd Stage, Bangalore - 560 070 on 30-09-10,30-09-11 and 29-09-2012 respectively and no special resolution was passed by exercising postal ballot.
- (c) Date of Book Closure : 30th September 2013.

Financial year : The financial year covers the period from 1st April 2012 to 31st March 2013.
- (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 2013. 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 2013.

No. of Equity Shares	No. of share holders	% of share holders	No. of shares held	% of share holding
Upto - 2,500	9719	80.509	1139720	2.637
2,501 - 5,000	1376	11.398	545930	1.263
5,001 - 10,000	583	4.829	486680	1.126
10,001 - 20,000	208	1.723	307890	0.712
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	40212990	93.055
Total	12072	100.000	43214230	100.000

(g) Shareholding Pattern as on 31st March 2013

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	9363650	21.66
Foreign Institutional Investors	1	4500	0.01
Public	11793	3322727	7.69
Others	53	27338	0.06
TOTAL	12074	43214230	100.00

(h) Dematerialisation of Shares as on 31.03.2013

As on 31st March 2013, 3.52% 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.
- (o) Status of Investors - Complaints received during the period 1st April 2012 to 31st March 2013 - There are no pending complaints as on 31st March 2013.

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) 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 May 2013

(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 2013 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

K.V. GOPALAKRISHNAYYA
Partner
Membership No. 021748

Bangalore
30th May 2013

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, 2013 with certain emphasis of matter, on which the Directors of the Company clarify as follows.

Observations made in the Report :

Point – (7a) Under Independent Auditor's Report :

For the appointment of Mr. K. Vinod Bhat, a Director of the Company as Managing Director, consent of the board / remuneration committee has been obtained, subject to ratification at the ensuing Annual General Meeting. Accordingly, the company has placed agenda for approval of the members for the said appointment.

Point – (7b) Under Independent 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 – (7c) Under Independent Auditor's Report :

The company has filed documents manually with MCA. Implementation of BIFR order by 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 May 2013

K. NARAYANA BHAT
Chairman

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS****Report on the Financial Statements**

- 1) We have audited the accompanying financial statements of Namaste Exports Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2) Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

- 3) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6) In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to
- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

- 7) We draw attention to :-
- Mr. Vinod Bhat was appointed as Managing Director by the Board of Directors of the Company with effect from 01st November 2012 and Rs 280000 was paid as remuneration. Necessary approvals are not obtained for the said appointment and payment of remuneration.
 - 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).
 - 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 (refer note 1.2 (VI) of Notes to Accounts)
 - Our opinion is qualified in respect of these matters 7 (a) to 7 (c).

Report on Other Legal and Regulatory Requirements

- 8) 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 9) As required by section 227(3) of the Act, we report that:
- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - 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.
 - the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection(3C) of section 211 of the Companies Act, 1956;
 - on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Ishwar&Gopal,
Chartered Accountants,
Firm's Registration Number : 001154S

(K V Gopalakrishnayya)
(Partner)
Membership Number: 021748
Place : Bangalore
Date: 30.05.2013

**ANNEXURE TO THE AUDITOR'S REPORT
(AS REFERRED TO IN CLAUSE 1 OF OUR REPORT TO THE MEMBERS)**

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| <p>1. a. The Company has maintained records showing full particulars, including quantitative details and the situation of its fixed assets.</p> <p>b. All the assets have not been physically verified by the management during the year but there is a program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification</p> <p>c. During the year, the Company has not disposed off substantial part of the assets.</p> <p>2. 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>3. The Company has not granted / taken loans to / from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4 (iii) (a) to (g) of the Companies Auditor's Report Order, 2003 (as amended) is not applicable to the Company for the year under review.</p> <p>4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.</p> <p>5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.</p> <p>b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts and arrangements and exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices of the relevant time;</p> <p>6. The Company has not accepted any deposits from public and hence the provisions of section 58A and 58AA of the companies Act, 1956 and rules framed there under are not applicable to the Company during</p> | <p>the year under review. We have been informed that no order has been passed by the Company Law Board.</p> <p>7. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business.</p> <p>8. 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>9. a. The Company has been regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty and other material statutory dues applicable.</p> <p>b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and cess were in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.</p> <p>c. According to the information and explanation given to us, there are no disputed dues of income tax, wealth tax, customs duty, sales tax, excise duty and cess which have not been deposited with the relevant authorities on account of any dispute.</p> <p>10. The accumulated losses of the Company at the end of the financial year are more than 50% of net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the preceding financial year.</p> <p>11. 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>12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clauses 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.</p> <p>13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.</p> |
|---|--|



- 14 In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments during the year under audit. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15 As far as we could ascertain, the Company has not given guarantees for loans taken by others from banks or financial institutions and hence the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 16 In our opinion and according to the information and explanation given to us the Company has not availed any term loans during the year under review no term loans have been borrowed during the year.
- 17 According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18 There was no issue of shares during the year. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
- 19 According to the information and explanations given to us, there are no debentures outstanding at the end of the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
- 20 The Company has not raised any monies by way of public issue during the year. Accordingly, the provisions of paragraph 4(xx) of the Companies (Auditor's Report) Order, 2003 regarding end use of money are not applicable.
- 21 According to the information and explanations given to us, no frauds on or by the Company that causes material misstatements to financial statements have been noticed or reported during the year.

For Ishwar & Gopal,
Chartered Accountants,
Firm's Registration Number : 001154S

(K V Gopalakrishnaya)
(Partner)
Membership Number: 021748
Place : Bangalore
Date:30.05.2013

BALANCE SHEET AS AT 31ST MARCH 2013

Particulars	Note	AS AT 31-03-2013		AS AT 31-03-2012	
		Rs.	Rs.	Rs.	Rs.
I. EQUITY AND LIABILITIES					
Shareholders Funds					
Share Capital	2.1	86,428,460		86,428,460	
Reserves & Surplus	2.2	(107,375,611)	(20,947,151)	(132,637,015)	(46,208,555)
CURRENT LIABILITIES					
Other Current Liabilities	2.3	30,800,826		56,554,563	
Short-term Provisions	2.4	1,479,663	32,280,489	1,178,611	57,733,174
TOTAL			11,333,338		11,524,619
II. ASSETS					
NON-CURRENT ASSETS					
Fixed Assets :	2.5				
Tangible Assets	2.5	4,710,704		5,133,014	
Non-Current Investments	2.6	609,229		609,229	
Long-term Loans & Advances	2.7	1,856,222	7,176,155	1,837,772	7,580,015
CURRENT ASSETS					
Cash and Bank Balances	2.8	854,137		1,175,817	
Short-term loans & advances	2.9	3,296,044		2,763,330	
Other Current Assets	2.10	7,000	4,157,181	5,457	3,944,604
TOTAL			11,333,338		11,524,619
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. 021748
Firm Regn. No. : 001154S
Bangalore
Dated : 30th May 2013

For and on behalf of the Board of Directors

K. NARAYANA BHAT
Chairman

K. VINOD BHAT
Managing Director

M. SRIPAD RAO
Director

E.N. VEERANNA
Director Finance

**STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013**

Particulars	Note	Year Ended 31-03-2013		Year Ended 31-03-2012	
		Rs.	Rs.	Rs.	Rs.
I. REVENUE					
Revenue from Operations - Jobwork Receipts			69,688,349		52,273,659
Other Income	2.11		307,215		77,403
TOTAL REVENUE			69,995,564		52,351,062
II. EXPENSES					
Employee benefits expense	2.12		34,843,466		30,989,300
Finance costs	2.13		10,841		12,595
Depreciation and amortization expense	2.5		437,059		564,588
Other expenses	2.14		9,442,792		16,645,825
TOTAL EXPENSES			44,734,158		48,212,307
PROFIT / (LOSS) BEFORE TAX			25,261,406		4,138,755
PROFIT / (LOSS) FOR THE YEAR			25,261,406		4,138,755
Earnings per equity Share :					
Basic & Diluted			0.58		0.10
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

For and on behalf of the Board of Directors

K.V. GOPALAKRISHNAYYA
Partner

K. NARAYANA BHAT
Chairman

K. VINOD BHAT
Managing Director

Membership No. 021748
Firm Regn. No. : 001154S
Bangalore
Dated : 30th May 2013

M. SRIPAD RAO
Director

E.N. VEERANNA
Director Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

Amount in Rs.

Particulars	2012-13	2011-12
A. CASH FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	25,261,406	4,138,755
Adjustments for:		
Depreciation	437,059	564,588
Dividend Income	(5,280)	(19,360)
Loss on discard of assets	-	4,791,057
	431,779	5,336,285
Operating Profit /(Loss) before working capital changes	25,693,185	9,475,039
Adjustment for changes in :		
Trade & other receivables	(62,029,615)	(148,626,674)
Trade & other payables	36,024,221	138,901,198
	(26,005,394)	(9,725,476)
Cash generated from operations	(312,208)	(250,434)
Income tax paid (net)	-	-
Net Cash Flow before extraordinary items	(312,208)	(250,434)
Net Cash Flow from/(used in) Operating Activities	(312,208)	(250,434)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Fixed Assets	(14,749)	(30,984)
Dividend Income	5,280	19,360
	(9,469)	(11,624)
Net Cash Flow from/(used in) Investing Activities	(9,469)	(11,624)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Repayment of Borrowings	-	-
Net Cash Flow from/(used in) Financing Activities	-	-
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	(321,677)	(262,058)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,175,817	1,437,876
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	854,138	1,175,817
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(321,677)	(262,058)

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

K. NARAYANA BHAT
Chairman

K. VINOD BHAT
Managing Director

Membership No. 021748
Firm Regn. No. : 001154S
Bangalore
Dated : 30th May 2013

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. 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 May 2013, 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 CURRENT 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, 2013		Year ended 31st March, 2012	
		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. 34,16,136.

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. Mr. Vinod Bhat 3. Mrs. Madhura N. Bhat 4. M. Sripad Rao 5. Vishal Bhat 6. Mr. E.N. Veeranna	Chairman Managing Director Director Whole Time Director Director Director-Finance
(ii) Relatives of Key Managerial Personnel :	1. Vikas Bhat	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 2013	Year ended 31st March 2012
a) Transactions with related parties		
Remuneration Paid :		
1. Mrs. Madhura N. Bhat	235,200	470,400
2. Mr. Sripad Rao M.	381,000	434,345
3. Mr. K. Vinod Bhat	280,000	-
4. Mr. E.N. Veeranna	786,840	858,840
TOTAL	1,683,040	1,763,585
Leather Processing Charges received		
Success Apparels Private Limited	69,158,849	36,733,617
MNS Exports Private Limited	529,500	-
b) Dues to Associates :		
1. Elite Leather International Private Limited	2,482,508	2,482,508
2. MNS Exports Private Limited	185,102	704,012
3. N. P. Properties Private Limited	1,800,000	1,800,000
	4,467,610	4,986,520
c) Dues to Directors :		
1. Mrs. Madhura N. Bhat	720,391	846,326
2. Mr. Sripad Rao M.	198,696	198,696
3. Mr. E.N. Veeranna	29,260	6,775
4. Mr. K. Narayana Bhat	-	223,224
5. Mr. K. Vinod Bhat	104,536	-
	1,052,883	1,275,021
d) Advances from Associates		
Success Apparels Private Limited	12,838,011	38,829,074

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.26,89,915/- (Rs. 24,63,097/-) 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, 2013.

Particulars	As at 31-03-2013	As at 31-03-2012
(a) Change in benefit obligation :		
Projected benefit Obligation, beginning of the year (April 1, 2012)	5,200,634	4,458,698
Service Cost	416,051	671,351
Interest Cost	703,929	356,696
Benefits Paid	(939,877)	403,505
Actuarial (Gain) / Loss	521,923	(117,394)
Projected Obligation at the end of the year (March 31st, 2013)	5,902,660	5,200,634
(b) Change in Plan Assets :		
Fair value of plan assets, beginning of the year (April 1, 2012)	4,848,555	3,797,156
Expected return on plan assets	420,255	355,062
Employer's contributions	1,020,056	1,099,842
Benefits paid	(939,877)	403,505
Actuarial (gain) / loss	-	-
Fair value of plan assets at the end of the year	5,348,989	4,848,555
Excess of (obligation over plan assets) / plan assets over obligation	(553,671)	(352,079)
(c) Net gratuity and other cost for the year ended March 31, 2013 :		
Service cost	703,929	671,351
Interest on defined benefit obligation	416,051	356,696
Expected return on plan assets	(420,255)	355,062
Net actuarial gain recognized in the year	521,923	(117,394)
Net gratuity and other cost	1,221,648	790,379
(d) Category of Assets as at March 31, 2013 :		
Insurer Managed Funds	5,348,989	4,848,555
(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 31-03-2013	As at 31-03-2012
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	12,360
For Reimbursement of expenses	990	760
TOTAL	113,350	113,120

**1.11 LEASES :**

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

Particulars	Year ended	
	As at 31-03-2013	As at 31-03-2012
Lease rentals recognized during the year	3,416,136	3,188,160
Lease obligations payable:		
Within one year of the Balance Sheet date	3,416,136	3,416,136
Due in a period between one year and five years	3,416,136	6,832,272
Due after five years	-	-
TOTAL	10,248,408	13,436,568

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	2012-13	2011-12
Profit Before Tax and Extra Ordinary Items	25,261,436	4,138,755
Less: Current year tax	-	-
Deferred Tax		
Profit After Tax but before Extra Ordinary Items	25,261,406	4,138,755
Extra Ordinary Items	-	-
Profit After Tax and Extra Ordinary Items	25,261,406	4,138,755
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	0.58	0.10
After extra ordinary items	0.58	0.10
Earnings per Share - Diluted:		
Before extra ordinary items	0.58	0.10
After extra ordinary items	0.58	0.10

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, 2013:

Particulars	As at 31-03-2013	As at 31-03-2012
Carrying amount in the beginning of the year	826,532	582,849
Additional provision made during the year	417,345	243,683
Amounts used during the year	317,885	-
Unused amounts reversed during the year	-	-
Carrying amount in the end of the year	925,992	826,532

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 31-03-2013		AS AT 31-03-2012	
	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
TOTAL	24,281,450	

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

The Company has only one class of equity shares having par value of Rs. 10 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 shareholders.

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	
Less : Transferred to General Reserve	-	<u>(10,500,000)</u>	-

GENERAL RESERVE

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

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

Balance as per last Balance Sheet	(697,949,254)	(702,088,007)	
Add : Net Profit after tax transferred from Statement of Profit & Loss	<u>25,261,406</u>	<u>4,138,755</u>	
	<u>(672,687,848)</u>	<u>(697,949,252)</u>	
TOTAL	<u>(107,375,611)</u>	<u>(132,637,015)</u>	



Particulars	AS AT 31-03-2013		AS AT 31-03-2012							
	Rs.	Rs.	Rs.	Rs.						
Note - 2.3										
OTHER CURRENT LIABILITIES										
OTHER PAYABLES										
Dues to associates		4,467,610		4,986,520						
Advance Received		12,838,011		38,829,074						
Statutory Liabilities		296,912		267,678						
Salary and other employee benefits payable		6,511,904		6,197,674						
Expenses Payable		5,633,507		4,998,597						
Dues to Directors		1,052,883		1,275,021						
	TOTAL	<u>30,800,826</u>		<u>56,554,563</u>						
Note - 2.4										
SHORT-TERM PROVISIONS										
Provision for employee benefits :										
Gratuity Obligation	553,671		352,079							
Unavailed Leave Salary	925,992	1,479,663	826,532	1,178,611						
	TOTAL	<u>1,479,663</u>		<u>1,178,611</u>						
Note 2.5										
FIXED ASSETS										
Particulars	GROSS BLOCK			DEPRECIATION / AMORTIZATION BLOCK				NET BLOCK		
	As at 1-4-2012	Additions during the year	Deductions during the year	As at 31-3-2013	As at 1-4-2012	For the Year	Withdrawn	As at 31-3-2013	As at 31-3-2013	As at 31-3-2012
TANGIBLE ASSETS										
1. Land (Freehold)	3,706,624	—	—	3,706,624	—	—	—	—	3,706,624	3,706,624
2. Building	923,511	—	—	923,511	600,865	30,845	—	631,711	291,800	322,646
3. Plant & Machineries	15,256,289	14,749	—	15,271,038	14,165,951	404,884	—	14,570,835	700,203	1,090,338
4. Furniture & Fixtures	—	—	—	—	—	—	—	—	—	—
5. Vehicles	14,000	—	—	14,000	594	1,330	—	1,924	12,076	13,406
Grand Total	19,900,424	14,749	—	19,915,173	14,767,410	437,059	—	15,204,469	4,710,704	5,133,014
Previous Year	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	—

Particulars	AS AT 31-03-2013		AS AT 31-03-2012	
	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 3,200 (3,200) 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		<u>609,229</u>		<u>609,229</u>
	Market Value	Cost	Market Value	Cost
Aggregate amount of quoted investments and market value thereof	414,228	331,000	485,629	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		271,427		252,977
Rental Deposits		<u>1,584,795</u>		<u>1,584,795</u>
TOTAL LONG-TERM LOANS AND ADVANCES		<u>1,856,222</u>		<u>1,837,772</u>



Particulars	AS AT 31-03-2013		AS AT 31-03-2012	
	Rs.	Rs.	Rs.	Rs.
Note - 2.8				
CASH AND BANK BALANCES				
Cash & Cash Equivalents				
Balance with banks - with Scheduled Bank in India on Current Account	596,505		956,836	
Balance with banks - with Scheduled Bank in India on Deposit Account	175,000		175,000	
Cash on hand	82,632		43,981	
		854,137		1,175,817
TOTAL		854,137		1,175,817
Note - 2.9				
SHORT-TERM LOANS & ADVANCES				
(Unsecured - considered good unless otherwise stated)				
Loans and advances to employees		93,300		161,912
Prepaid Expenses		197,112		158,839
Advance Income tax / Tax Deducted at Source		3,005,632		2,442,579
TOTAL		3,296,044		2,763,330
Note - 2.10				
OTHER CURRENT ASSETS				
(Considered good unless otherwise stated)				
Interest Accrued		7,000		5,457
TOTAL		7,000		5,457
Note - 2.11				
OTHER INCOME				
Interest from others		54,101		28,043
Dividend Income		5,280		19,360
Provision no longer required withdrawn		82,834		-
Miscellaneous Income		135,000		-
Rent Received		30,000		30,000
TOTAL		307,215		77,403
Note - 2.12				
EMPLOYEE BENEFITS EXPENSE				
Salaries, wages & bonus		28,800,283		25,827,936
Contribution to provident & other funds		5,142,415		4,402,360
Staff welfare expenses		900,768		759,004
TOTAL		34,843,466		30,989,300

Particulars	AS AT 31-03-2013		AS AT 31-03-2012	
	Rs.	Rs.	Rs.	Rs.
Note - 2.13				
FINANCE COSTS				
Bank Charges		10,841		12,595
TOTAL		10,841		12,595
Note - 2.14				
OTHER EXPENSES				
Factory Maintenance		23,379		23,327
Power, Fuel & Water		1,923,225		1,506,564
Repairs :				
Plant & Machinery	100,006		36,942	
Others	501,600	601,606	435,299	472,241
Office Maintenance		10,067		13,733
Rent & Hiring Charges		3,416,136		3,188,160
Rates & Taxes [Includes filing fees payable to the Registrar of Companies for increase in authorised capital. Refer Note 1.2 in Notes to Accounts]		416,858		3,640,131
Insurance		35,483		8,348
Travelling & Conveyance		551,297		432,322
Communication expenses		342,733		332,019
Postage & Courier Charges		64,125		66,957
Advertisement & Publicity		7,969		15,641
Registration & Subscriptions		26,034		17,032
Printing & Stationery		138,832		146,161
Licence/Renewal Fee		962,785		714,283
Legal & Professional Fee		616,670		407,094
Donations		12,551		7,750
Auditor's Remuneration		124,586		113,120
Security Charges		19,750		510,661
Directors Sitting Fees		30,000		52,500
Business Promotion		-		2,784
Loss on discard plant and machinery		-		4,791,057
Bad Debts	-		14,302,426	
Less : Provision for doubtful debts withdrawn	-	-	14,177,371	125,055
Prior period Expenses		75,518		
Miscellaneous Expenses		43,188		58,885
TOTAL		9,442,792		16,645,825

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 FIFTH ANNUAL GENERAL MEETING of the Company to be held on
Monday, the 30th September, 2013 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 _____ 2013.

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 FIFTH ANNUAL GENERAL MEETING of the Company on
Monday, the 30th September, 2013 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-560 018.