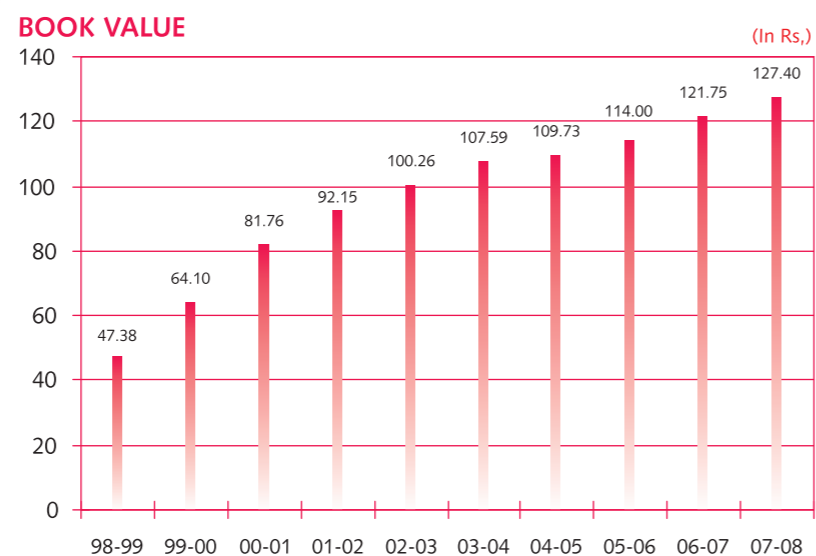
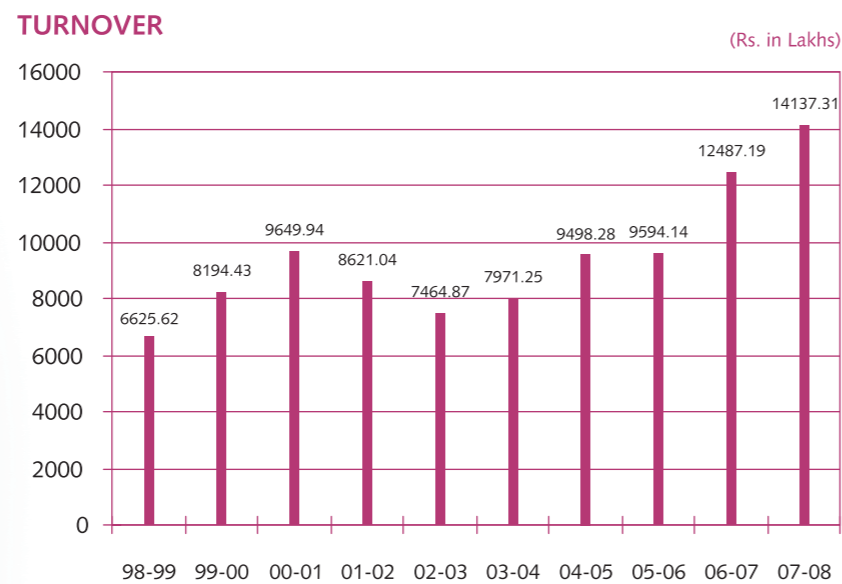
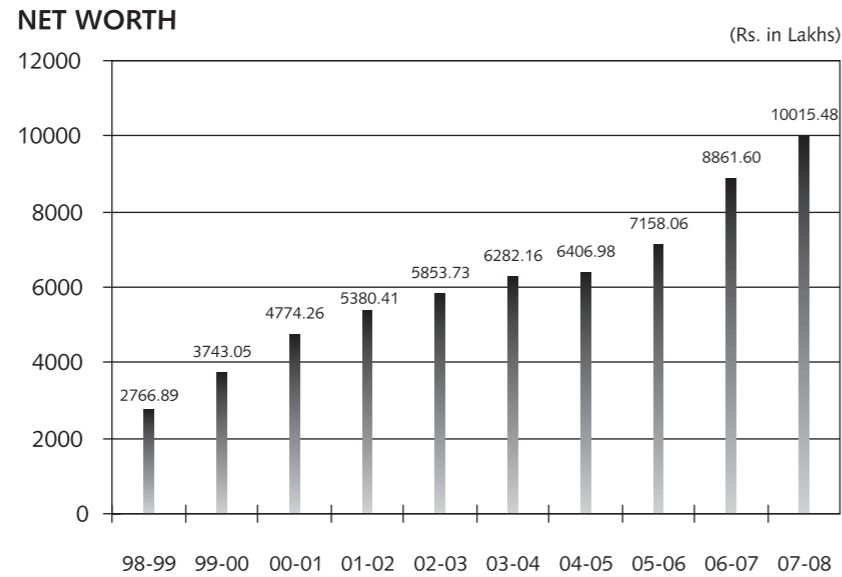


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Performance Highlights



Board of Directors

Snehdeep Aggarwal	Managing Director
Jaspal Sethi	Whole-Time Director
A. K. Gadhok	Whole-Time Director
Shashank	Director
Ramesh Bhatia	Director
C.L. Handa	Director
Sandeep Seth	Director
Nikhil Aggarwal	Director
Ananthkrishna Sahasranaman	Director
Deepti Gambhir	Company Secretary

Auditors

Sushil Poddar & Co., New Delhi

Bankers

Corporation Bank, Citibank N.A., ABN Amro Bank, IDBI Bank Ltd., ING Vysya Bank Ltd.

Registered Office:

● **DELHI**
E-52, New Manglapuri, Mandi Road (Mehrauli), New Delhi-110 030, India
Ph.: 0091-11-26808177, 26803201-02,
Fax: 0091-11-26803485
Email: bhartiya@bhartiyainternational.com

● **BANGALORE**
Factory (Leather Garments) No. 27/2, Uttarahalli Hobli, Village Gottigere, (Bannerghata Road), Bangalore - 560 083 India
Tel : 080-25780370/25780375
Fax : 080-25780377

● **CHENNAI**
575, EVR Periyar Salai, 3rd Floor, Rakhi Plaza, Aminji Karai, Chennai-600 029, India
Ph : 044-26640451/26642452
Fax : 044-26642692

● **CHINA**
World Fashion Trade Ltd.
Room 301, 1st Unit, Tower 28, Jinzhonglv Garden, 28# Yangpan Road, Hangzhou, China,
Ph.: 0086-571-86584857,
Fax: 0086-571-86585057

● **HONG KONG**
World Fashion Trade Ltd.
Suite 1402, 14/F, 1 Duddell Street, Central Hong Kong
Ph.: 00852-2376 3611,
Fax: 00852-2736 5115

● **ITALY**
Branch: Via Dei Tigli, 4, 26010 Casaleto Vaprio (CR), Italy,
Ph : 0039-0373-273411
Fax : 0039-0373-274148

● **SWITZERLAND**
Ultima S.A., Rochettes 42, 2012 Auvernier, Switzerland
Ph : 0041-794186706
Fax : 0041-327313042

● **U.S.A.**
BIL Group LLC,
209 West 38th Street (Suite 1010)
New York 10018, USA

Chairman's speech



THE UNIVERSE OF OPPORTUNITY

It is said: nothing can stop an idea whose time has come.

The Indian leather story is that of a Rs, 10,000 Crores best-seller that employs 2.5 million people crafting magic for discerning customers around the world. The industry is recognized for the broad strokes of professionalism that define it, providing key information to large buyers and sellers and market analysts around the world. 15% of global sourcing by leading footwear and garment brands is done from India, the second largest producer of footwear in the world, and a land renowned for its work-oriented production values and attractive cost paradigms. As we work towards having a larger slice of the multi-billion \$ global leather trade, the future, even on a conservative basis appears hugely exciting and challenging.

Leading the revolution from the front, in the Leather Garments sector is your very own Bhartiya International, and we have now made a foray into the world of fashion leather goods, and finished leather. With surreal designs, profitability and exhilarating levels of ambition defining the silhouettes of this segment across fashion capitals, this latest venture of ours is a logical step in the right direction. At a broader level, it is, in tandem with our much sought-after brands, slated to bolster our strengths both vertically and horizontally, making us a House that is intuitively integrated at both ends, and better positioned to evolve as a major architect of a firm future.

India is here. India is now. India is happening.

Bhartiya, with its core strengths in design and innovation, has also made a foray into the Lifestyle real estate business.

The new business is more than a coincidence; it is connected to fate in ways more profound than most of us will perhaps comprehend. As we look around and see a new India blooming, we feel it is time for Bhartiya to blossom and grow - with quantum leaps, to create what Bhartiya stands for: A more beautiful world.

We are setting up a new Leather Products SEZ, in partnership with the AP Industrial Infrastructure Corporation located in Andhra Pradesh, but just across from Tamilnadu, and leveraging the infrastructure of Chennai, sprawling over 250 acres. This will bring together minds, talent and expertise in an electric setting that is designed to optimize resources and remove hurdles. With its captive leather processing unit, integrated world class infrastructural matrices and accent on excellence, the SEZ dovetails strategy and execution in unique ways, streamlines production and unequivocally hitches the Bhartiya wagon to a star. It will be a world class centre of excellence that, at once, edifies, instructs and inspires.

Which brings me to our most exciting Lifestyle project North of the city of Bangalore widely acknowledged as 'the city of the future' - at a short distance from the international airport, the Bhartiya group is coming up with a stunning new destination district. Carefully Master-planned - over 122 spirited acres and comprising dwelling units, office space, retail & hospitality units both luxury and business, and a spectacular bouquet of social elements, it is designed to redefine living, working, playing and dreaming - for India's growing breed of young and lively citizens the Indians of the future. Contoured to global standards of living and luxury, differentiating itself from others in its vibrant mix of styles, silhouettes and advantages, and boldly propositioned as 'the preferred address of the truly arrived', this is a project that promises what discerning Indians seek: a better alternative that, in this case, is also excellently connected and powerfully positioned. Playing our signature role that of being Generators of Value and treasured Lifestyle products for all - to perfection, Bhartiya therefore proudly offers young India - the future, today.

Roy Disney, nephew of Walt Disney, once said, **"It's not hard to make decisions when you know what your values are."** Here at Bhartiya, we are propelled by a set of tested beliefs and values, and the corporate philosophy that, "Winning isn't everything WANTING to WIN is". It is innovation that differentiates a leader from a follower, that separates Bhartiya from the herd, and that is what will continue to drive us upward - towards realising our vision of making Bhartiya the most respected Lifestyle products company, in every business in which we operate.

Management Discussion and Analysis

A New World Order.

The global leather industry is in the process of shifting its manufacturing base from developed to developing nations. From The USA to Europe, heavyweight names and established leather product business houses are exploring alternate locations to find the perfect solution to their outsourcing needs in terms of cost competitiveness, experience, skills and dependability. India, a country ranked first among major livestock holding nations in the world, features prominently in their hunt today, and the more they look, the more they like what they see.

It is not difficult to fathom why. Today, India's leather sector, at over Rs. 10,000 Crores, is amongst the top eight export earners for the country, and it employs over 2.5 million people. The post liberalization era has opened up floodgates of opportunities for the Indian leather industry, and the country is uniquely positioned for a bigger share of the global market, as renowned brands from the US and Europe are increasing their sourcing of leather and leather products from India.

With its abundant resource base of raw hides and skins, sensitiveness to quality benchmarks, superior manufacturing know-how, discerning designing capabilities, a stable political climate and an unlimited human capital base, India can offer the world what few others, if any, can: Rock solid commitments in terms of excellence, consistency and trust. Of course, the road ahead is not without its potholes. Effluent management, non-tariff barriers, quality specifications and compliance to various standards, quite apart from the competition from our esteemed neighbour China (who, admittedly, has leveraged its advantages in terms of raw material, large scale infrastructure, technology, conducive labour policies, low cost of production, and government support and subsidies have helped it steal a march over the last decade) continue to remain challenges. However, these are not obstacles that cannot be surmounted; especially at a time when the spirit of India a nation of dazzlers and dreamers who understand the art of patience is at an all time high, and likewise, so is the spirit and morale of your own company: Bhartiya International Limited.

Tomorrow - It's never looked better

India has always been the preferred supplier to Europe, but today, the US accounting for about 25% of a massive USD \$96 bn global trade in leather & leather products is emerging as a very strong and promising export destination for us in India as well. As a nation we are now eyeing new markets like Latin America, Israel and Japan where the response has already been positive, even while Italy remains a favoured design provider and export destination. The Indian leather sector is taking on truly global proportions even as it emerges as the second largest manufacturer of leather products and footwear in the world. The USD 7 billion mark by 2010-2011, is the vision constituting USD 4.3 billion in footwear, finished leather of USD 1 billion, garments of USD 400 million and other leather goods and items of USD 1 billion.

Even as foreign investors sense this opportunity to align with India, Bhartiya have metamorphosed strategically as a true multinational with a planned presence in India, China, Italy and USA. This gives us the ability to design, produce, source, and market products across international boundaries. We aim to set up state-of-the-art captive units for both leather goods and finished leather that are powered by joint ventures on an ambitious and international scale. European companies, who we are closely associated with and who were earlier sourcing upto 95% of their production from China are now consciously looking to shift to India in a big way. Is it due to the higher perceived risks and unfavorable cost trends? Is it because, as some would say, China

has been unable to provide comfort in protecting intellectual property rights (IPR) and trade patents? Or is it India's long-term competitive attractiveness? The real answer is : Yes, to all of the above.

To a future without speedbreakers

It is with this strategic intent that we have launched our Leather and Leather Products SEZ in Andhra Pradesh, sprawled over an area of over 250 acres.. Our category expansion into finished leather is spearheaded by a tie-up with Irving Tannery, America's leading leather and tanning company. We are nearing completion of our expansion programme in J&J Leathers one of our subsidiary companies - at a cost of Rs. 70 million, which will yield a leather goods production base worth Rs 300 million. Our foray into the thrilling world of fashion leather goods is led by Italian designers in our design studios in Milan (Italy). The samples have been well received, and will be produced from our new unit in Chennai, and, later, from our own unit - planned to be set up in our SEZ. Post expansion, J&J Leathers will also be boosting our competencies here in very decisive ways. Overall, growth in these areas will further broaden the base of our company's product portfolio, and present huge opportunities for growth in the next 3 to 5 years.

Some things are forever: Like value, like originality, like Bhartiya.

In an industry known for ever changing fortunes and trends, Bhartiya International today has become the leader by virtue of its core competence: Innovation.

We have consciously shunned the conventional logic of being just cheaper than the competition. On the other hand, your company has always focused on creating new value to delight customers and stakeholders. It has used design and quality of raw materials as a power tool to drive down costs while, in parallel, driving up perceived value and market worth, and this is a rationale that dovetails with our strategic business model, functional matrices and diverse operational activities. Bhartiya's mantra is to create new demand with a whole new look at the status quo. This, indeed, is how we propose to drive our business endeavours in every category, as we face the future and go forward with great optimism and confidence.

Our operations in Chennai, Bangalore and China continue to form the core of our supply chain. Our many brands continue to be talked about names in shelves across Europe. We are proudly represented in fashion summits, trade-meets and exhibitions across borders and continents, and our prized designers in Italy continue to turn heads, even as they make solid inroads into people's wardrobes and minds. As a vertically integrated company that is fast cementing its global status of distinction as a



single-window business solutions provider, we're going places, and Bhartiya's name, today, is synonymous with trust, innovation and thought leadership.

A word on Internal Systems and Control

The internal control procedures of the company are secured with a view to ensuring efficient and optimal use and protection of the company's vital resources, accuracy in financial reporting, and due compliance of statutes, procedures and corporate protocol. Bhartiya's systems and processes across disciplines and departments are reviewed by Audit Committee.

Risk Management

No endeavor is worthy of mention unless risk management systems are firmly in place. Your company's risk management policy plays a proactive role in ensuring that potential hazards are kept at bay. Proactive and strategic planning is done to combat likely risks surfacing due to changing industrial environment from competition, changing customer needs, obsolescence and changing technology. Bhartiya exposure to foreign currency risks comes from its exports and imports. They are resolved via prudent financial operations, innovative treasury management and effective use of hedge options.

Human Resource

We believe that people are our greatest resource. Our ability to grow as a Company and to exceed customer expectations depends on our people. We look for highly-talented and motivated individuals and strive to attract, develop and retain such best pool of talent. We wish to be associated with people who are full of energy, creativity and commitment, and who have the passion and courage to look for new ideas beyond existing products, services and ways of working, and in return we promise to give them the tools they need to fulfill their personal and professional goals.

Bhartiya believes in providing the growth opportunities to its employees through competitive & sustainable pay package, and training to ensure skill development and career advancement. We provide opportunities for vertical as well as lateral growth to the deserving employees within the Group. Further, since our operations are international, we look at things from the global perspective.



Cautionary Statements

All the statements in this report regarding the projection, estimates and expectations are subjected to present market conditions and anticipated effects of future events on current and developing circumstances. Results may vary due to several factors which could affect the company's business operations such as demand and supply condition, price inputs, change in government levies and regulations, industrial relations and other economic variables in the country. Bhartiya cannot be held responsible in any way for such statements and it undertakes no obligations to publicly update these to reflect subsequent events or circumstances.



BHARTIYA INTERNATIONAL LTD.

DIRECTORS' REPORT

Your Board of Directors takes pleasure in presenting the 21st Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Lacs)			
Sl. No.	Particulars	2007-2008	2006-2007
1	Net Sales /Income from Operations	13868.47	12272.53
2	Other Income	268.84	214.65
3	Total Expenditure	12892.04	11360.95
4	Interest	350.61	258.71
5	Gross Profit after Interest but before Depreciation & Taxes	894.66	867.52
6	Depreciation	82.92	79.23
7	Profit before Tax and Extra- Ordinary Item	811.74	788.29
8	Extra Ordinary Items: Provision for loss on Investments in Subsidiary under Liquidation	–	93.86
9	Provision for Taxation	189.86	194.32
10	Net Profit	621.88	500.11
11	Paid up Capital	786.38	727.88
12	Reserves (Excluding Revaluation Reserves)	9229.10	8133.72
13	Earning Per Share (Basic) Rs.	7.91	7.33
14	Earning Per Share (Diluted) Rs.	7.91	7.17
15	Dividend	15%	15%

PERFORMANCE REVIEW

During the year under review, the Company achieved a turnover of Rs. 13868.47 Lacs as against Rs. 12272.53 Lacs in the previous year registering an increase of 13%. Gross profit after interest but before depreciation and tax has increase to Rs. 894.66 Lacs as compared to Rs. 867.52 Lacs in the previous year. Net profit after Tax has increase to Rs. 621.88 Lacs from Rs. 500.11 in the previous year, showing an increase of 24.35%.

DIVIDEND

Your Directors have recommended a Final Dividend of Rs.1.50/- i.e. @ 15% per paid-up equity share of Rs. 10/- each for the year ended 31st March, 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the financial year ended 31st March, 2008.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

DIRECTORS

Mr. Sandeep Seth and Mr. Shashank retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

BHARTIYA INTERNATIONAL LTD.

Mr. Nikhil Aggarwal and Mr. A. Sahsaranaman, Additional Directors who holds office till this Annual General Meeting being willing to be appointed as Director of the Company, are recommended to be appointed as Director of the Company, liable to retire by rotation.

SUBSIDIARY COMPANIES

As required under the provisions of Section 212 of the Companies Act, 1956, the Audited Accounts together with Directors' Report and Auditors' Report of the Subsidiary Companies are appended and form part of the Annual Report. The statement pursuant to Section 212 of the Companies Act, 1956 is attached.

CORPORATE GOVERNANCE

As required by Clause-49 of Listing Agreement a Report on Corporate Governance along with a Certificate of Corporate Governance from the Auditors is annexed to this Report.

MANAGEMENT DISCUSSION & ANALYSIS

The Report as required by Clause – 49 of the Listing Agreement is annexed herewith.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of the Clause-32 of the Listing agreement with the Stock Exchanges and AS-21 presented by ICAI, the Consolidated Accounts of the Company and its subsidiaries are annexed and forms part of this Annual Report.

LISTING AGREEMENT

The Company's securities are listed at the following Stock Exchanges in India: -

1. The Bombay Stock Exchange Ltd.
2. The National Stock Exchange of India Limited

The Annual Listing fee for the Financial Year 2008-2009 has already been paid to both the above Stock Exchanges.

PUBLIC DEPOSIT

The Company has neither invited/ nor accepted any deposits during the year within the meaning of Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposit) Rules, 1975.

CASH FLOW STATEMENT

As required by Clause-32 of the Listing Agreement a Cash Flow Statement is annexed.

AUDITORS

The Auditors of the Company, M/s Sushil Poddar & Co., Chartered Accountants hold office until the conclusion of this Annual General Meeting, and being eligible offer themselves for reappointment. They have furnished a certificate that their reappointment if made shall be within the statutory limits specified in Section 224(1B) of the Companies Act, 1956.

The Auditors observations in the Audit Report have been explained by the Company in detail in Notes to the Account which forms part of the Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provision of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is given in the annexure forming part of this report.

PARTICULARS OF EMPLOYEES

During the year no employee whether employed for the whole year or part of the year, was drawing remuneration exceeding the limits as laid down under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

ACKNOWLEDGEMENTS:

Your Directors desire to place on record their sincere appreciation for the co-operation and unstinted support received from the valued customers, suppliers, bankers and shareholders whom the Company regards as partners in progress.

BHARTIYA INTERNATIONAL LTD.

Yours Directors would also like to express their gratitude and record their appreciation to all employees, who have continued to display outstanding professionalism and commitment in your Company's quest for sustained growth and profitability despite the challenging environment and look forward to their continued contribution in scaling greater heights.

For and on behalf of the Board

New Delhi, 30th June, 2008

Snehdeep Aggarwal
(Managing Director)

Ramesh Bhatia
(Director)

ANNEXURE TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

a. Conservation of Energy

The operations of your Company are not energy intensive however the Company has undertaken several steps for energy conservation like monitoring of DG sets, using energy efficient computers, Air-conditioners are used only when required and thereby enhancing energy efficiency.

b. Technology Absorption

The Company is in fashion oriented industry. The Company relies heavily on its Italian office for design and product development. Access to Italian facilities is available for Indian operations thereby facilitating transfer of know-how.

c. Foreign Exchange Earnings & Outgo

The information on foreign exchange earnings and outgo are contained in notes to the accounts.

For and on behalf of the Board

New Delhi, 30th June, 2008

Snehdeep Aggarwal
(Managing Director)

Ramesh Bhatia
(Director)

BHARTIYA INTERNATIONAL LTD.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES**

	Bhartiya Global Marketing Ltd., Delhi	Ultima S.A., Switzerland	BIL Group LLC, USA	World Fashion Trade Ltd., Mauritius
(A) Financial year of the subsidiary Company ended on	: 31.03.08	31.03.08	31.12.07	31.12.07
(B) Holding Company's Interest Number of Shares	: 999,020 Equity Shares Rs. 10 each	1000 Shares of CHF 1,000	Members Contribution Rs. 69,471,300 USD\$ 1,592,000	1,000 Shares of US \$ 1.00
Extent of holding	: 100%	100%	100%	100%
(C) The net aggregate amount of profits/ (Losses) so far as it concerns members of the Holding Company				
(i) Not dealt within the Holding Company's accounts				
1. For the Financial year of the subsidiary :	Rs. (2,395,119)	CHF 407,823	USD (2,325)	HK\$(972,914)
2. For the previous financial year of the subsidiary since it become the Holding Company's subsidiary	: Rs. (2,187,659)	CHF 638,524	USD (251,242)	HK\$(38,13,130)
(ii) Dealt within the Holding Company's accounts				
1. For the financial year of the subsidiary :	-	-	-	-
2. For the previous financial year of the subsidiary since it become the Holding Company's subsidiary	-	-	-	-
	Bhartiya Interntional SEZ Ltd.	(a) J&J Leather Enterprises Ltd. Chennai	(b) Meris XXI, S. L., Spain	(c) Ultima Italia SRL, Italy
(A) Financial year of the subsidiary Company ended on	: 31.03.08	31.03.08	31.12.07	31.03.08
(B) Holding Company's Interest Number of Shares	: 50,000 Equity Shares of Rs. 10 each	125,000 Equity Shares of Rs.100 each	3,006 Shares of €1.00 each	90,000 Shares of €1.00 each
Extent of holding	: 100%	100%	100%	100%
(C) The net aggregate amount of profits/ (Losses) so far as it concerns members of the Holding Company				
(i) Not dealt within the Holding Company's accounts				

BHARTIYA INTERNATIONAL LTD.

	Bhartiya Interntional SEZ Ltd.	(a) J&J Leather Enterprises Ltd. Chennai	(b) Meris XXI, S. L., Spain	(c) Ultima Italia SRL, Italy
1. For the Financial year of the subsidiary :	Rs. (29,666)	Rs. 651,953	€(2730.69)	€(38,989)
2. For the previous financial year of the subsidiary since it become the Holding Company's subsidiary :	Rs. (21,575)	Rs. 3,148,514	€(2474.12)	€(30,475)
(ii) Dealt within the Holding Company's accounts				
1. For the financial year of the subsidiary :	-	-	-	-
2. For the previous financial year of the subsidiary since it become the Holding Company's subsidiary :	-	-	-	-
(a) This is wholly owned subsidiary of Bhartiya Global Marketing Ltd. Delhi.				
(b) This is wholly owned subsidiary of world fashion trade Ltd., Mauritius.				
(c) This is wholly owned subsidiary of Ultima S. A. Switzerland.				

For and on behalf of the Board

Snehdeep Aggarwal
(Managing Director)

Ramesh Bhatia
(Director)

New Delhi, 30th June, 2008

CORPORATE GOVERNANCE**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Company's philosophy on Corporate Governance is total transparency and to follow the Rules and Regulations in letter and spirit so as to attain new heights in the Corporate world and setting new standards and business ethics for Corporates at large.

It involves managing demand and supply in a way that leads to the social wellbeing of manufacturers and consumers and planning the mobilization of funds in a way that it adds value to the Shareholders' contribution.

BOARD OF DIRECTORS**Composition**

The Board of the Company consists of nine Directors and six out of them are Non-Executive Directors. The composition of Board of Directors, Attendance of the Directors at the Board Meeting and last Annual General Meeting, Directorship in other Public Companies and Membership in Committees are as follows: -

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships (1)	Memberships of other Committees (2)
Mr. Snehdeep Aggarwal	Managing Director	9	Present	2	-
Mr. A. K. Gadhok	Executive Director (Whole-Time Director)	9	Present	-	-
Ms. Jaspal Sethi	Executive Director (Whole-Time Director)	4	Absent	1	-
Mr. Ramesh Bhatia	Non-Executive Director	7	Present	1	-
Mr. C. L. Handa	Non-Executive Director and Independent	8	Present	6	1
Mr. Sandeep Seth	Non-Executive Director and Independent	8	Present	-	-
Mr. Shashank	Non-Executive Director and Independent	5	-	-	-
Mr. Nikhil Aggarwal	Additional Director (w.e.f. 04.10.2007)	-	-	-	-
Mr. Ananthakrishna Sahasranaman	Additional Director (w.e.f. 30.06.2008)	-	-	-	-

Notes:-

- (1) This includes Directorships/ Committee memberships in Public Limited Companies and subsidiaries of Public Limited Companies and excludes Directorships/ Committee memberships in Private Limited Companies.
- (2) The Board Committees have been considered for these purposes are: - Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee.

None of the Non-Executive Directors has any pecuniary relationship or transaction with the Company, except receiving sitting fees for attending the Board/Committee Meetings from the Company.

Nine Board Meetings were held during the financial year and the gap between two meetings did not exceed three months. The dates on which the meetings were held are:

2nd April, 2007, 21st May, 2007, 29th June, 2007, 30th July, 2007, 4th October, 2007, 30th October, 2007, 8th January, 2008, 28th January, 2008, 12th March, 2008.

The Secretarial standards relating to the Board, Committee, General Meetings and Dividend as specified by the Institute of Company Secretaries of India (ICSI) from time to time are complied and also the Budgets, performance of the business and

BHARTIYA INTERNATIONAL LTD.

various other information, including those specified under Annexure 1A of the Listing Agreement are placed before the Audit Committee and Board of Directors.

AUDIT COMMITTEE:

(A) Terms of reference

The terms of reference of the Audit committee include those specified under revised clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956, such as to oversee the Company's financial reporting process and disclosure of its financial information, to recommend appointment of Statutory Auditors and fixation of audit fee, to review quarterly, half yearly and annual financial statements before submission to the Board and to advice and make recommendations to the Board on matters related to financial management of the Company, including Audit Reports, to review and discuss with Auditors about internal control system, major accounting policies & practices reviewing Companies financial and Risk management policies in compliance with Stock Exchange and legal requirements concerning financial statements and to carry out any other functions as is mentioned in the terms of reference to the Audit Committee.

(B) Composition

The Audit Committee consists of three Non-Executive Directors and two third are Independent Directors. Mr. C.L Handa is the Chairman of the Audit Committee. Other members of the Audit Committee are Mr. Ramesh Bhatia and Mr. Sandeep Seth.

Audit Committee Meetings were also attended by Mr. Sanjay Govil, Vice President (Finance) and Mr. Manoj Khattar, Vice President (Accounts) Ms. Deepthi Gambhir, Company Secretary act as Secretary of the Audit Committee.

Five Audit Committee Meetings were held during the financial year.

(C) Meetings and attendance during the financial year 2007-2008

Director	10.04.07	28.06.07	27.07.07	29.10.07	29.01.08
Mr. C.L.Handa	P	P	P	P	P
Mr. Ramesh Bhatia	A	P	A	P	P
Mr. Sandeep Seth	P	P	P	P	P

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

Shareholders'/Investors' Grievance Committee consist of three Non-Executive Directors and two third are independent Mr. Sandeep Seth is the Chairman of the Shareholders'/ Investors' Grievance Committee. Other members of the Shareholders'/ Investors' Grievance Committee are Mr. Ramesh Bhatia and Mr. C. L. Handa. Ms. Deepthi Gambhir, Company Secretary is the Compliance Officer of the Company.

Shareholders'/ Investors' Grievance Committee met quarterly to attend shareholders queries together with the status report on the nature of queries received & the disposal thereof. Five Shareholders'/Investors' Grievance Committee Meetings were held during the financial year.

Meetings and Attendance during the financial year 2007-2008

Director	07.04.07	07.07.07	06.10.07	07.01.08	07.03.08
Mr. Sandeep Seth	P	P	P	P	P
Mr. Ramesh Bhatia	A	P	A	P	P
Mr. C. L. Handa	P	P	P	P	P

Total number of complaints/ communications received during the financial year were 80 (Eighty only) and all of them have been redressed/ answered to the satisfaction of shareholders. There was no investor grievance remained unattended or pending as on 31st March, 2008.

Subsidiary Company: - None of the subsidiary of the Company falls within the meaning of "Material Non-listed Indian subsidiary" as designed by Clause 49 (III) of the Listing Agreement.

Remuneration of Directors

Remuneration Committee being non-mandatory has not been constituted by the Board of Directors.

BHARTIYA INTERNATIONAL LTD.

All matters relating to review and approval of compensation payable to the Executive and Non-executive Directors are considered by the Board within the overall limits approved by the Members.

Directors' remuneration details for the financial year 2007-2008 are as under:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Mr. Snehideep Aggarwal	1,800,000	-	1,800,000
Ms. Jaspal Sethi	660,000	-	660,000
Mr. A. K. Gadhok	96,000	76,800	172,800

All Executive Directors are also entitled to Company's contribution to Provident Fund, Superannuation, Gratuity and encashment of leave at the end of tenure as per the rules of the Company.

Notice period for the Directors is also applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company has not issued any stock option to the Directors.

The details of sitting fees paid for attending the Board/ Committee Meetings to the Non-Executive Directors for the financial year 2007-2008 is as under: -

Name of the Director	Board Meeting Fees (Rs.)	Committee Meeting Fees (Rs.)	Total (Rs.)
Mr. Sandeep Seth	20,000	10,000	30,000
Mr. Ramesh Bhatia	17,500	6,000	23,500
Mr. C. L. Handa	20,000	10,000	30,000
Mr. Shashank	12,500	---	12,500

GENERAL BODY MEETINGS

The location and time of the Annual General Meeting held during the last 3 years were as follows:-

Annual General Meeting (AGM)	Date	Time of AGM	Location	No. of Special Resolutions passed
18 th AGM	22 nd September, 2005	12.00 Noon	'FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi – 110 001	5
19 th AGM	29 th September, 2006	12.00 Noon	'FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi – 110 001	-
20 th AGM	27 th September, 2007	12.00 Noon	'FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi – 110 001	1

(i) All resolutions moved at the last Annual General Meeting were passed by show of hands.

(ii) Postal Ballot

At the ensuing Annual General Meeting there is no resolution to be passed by Postal Ballot.

DIRECTOR'S APPOINTMENT/RE-APPOINTMENT DETAILS:-

Mr. Sandeep Seth, and Mr. Shashank shall be retiring by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. Ananthakrishna Sahasranaman and Mr. Nikhil Aggarwal, Additional Directors who holds office till this Annual General Meeting is appointed as Director of the Company, liable to retire by rotation as he is willing to continue as Director of the Company

BHARTIYA INTERNATIONAL LTD.

Brief resume of Directors seeking reappointment in the forthcoming Annual General Meeting are given below:-

Name	Mr. Sandeep Seth	Mr. Shashank	Mr. Ananthakrishna Sahasranaman	Mr. Nikhil Aggarwal
Date of Birth	26.10.1964	27.07.1944	18.03.1948	23.10.1975
Date of Appointment	28.02.2002	30.07.2007	30.06.2008	04.10.2007
Expertise in Special function areas	A highly qualified professional with expertise in Accounts, Finance and Taxation.	Retd. Foreign Secretary from the Government of India	Rich Expertise in Leather Sector and served in UNDP & UNIDO promoting Leather Sector in India. Also served in the J&K Cadre of IAS.	Experience in International Marketing and Management
Qualification	Chartered Accountant	M. Sc. Physics	Master of Arts in Economics	BE- Mechanical Engg., MBA
List of outside Directorships as on 31-03-2008(in Public Companies and Subsidiary of Public Companies)	—	—	Bafna Pharmaceuticals Ltd. Indian Leather Industry Foundation.	—
Chairman/ Member of the Board Committees of the Companies on 31-03-2008	Bhartiya International Ltd. a) Audit Committee b) Shareholders'/ Investors Grievance Committee	—	—	—

DISCLOSURES:-

- (i) There were no materially significant related party transactions that may have a potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note to the Accounts in the Annual Report.
- (ii) While preparation of financial statements during the period under review, no accounting treatment which was different from that prescribed in the Accounting Standard was followed.
- (iii) Company has laid down adequate procedure to inform the Board about the risk assessment and risk minimization procedures.
- (iv) There have been no instances of non-compliance by the Company on any matter related to capital markets and no penalties or strictures have been imposed by SEBI or the Stock Exchange during the last three years.
- (v) The Company has complied with all mandatory requirements of Corporate Governance as specified under clause 49 of the Listing Agreement and non – mandatory requirements have been adopted by the Company to the extent it is in line with the nature of business activities of the Company. However, steps have been taken to implement the other requirements in a phased manner.

CEO/CFO CERTIFICATION:-

The requisite Certificate under clause 49 (V) of the Listing Agreement, duly signed by the CEO and CFO in respect of the financial year ended 31st March, 2008 has been placed before the Board in their meeting held on 30th June, 2008 and forms part of this Annual Report.

BHARTIYA INTERNATIONAL LTD.

MEANS OF COMMUNICATION

The Company publishes its quarterly, half yearly and yearly financial results in leading National newspapers like Economic Times and Navbharat Times. Half yearly results are sent by post to all shareholders.

The Company sends the financial results to the Stock Exchanges immediately after its approval by the Board and periodically display and update the same on the Company's website www.bhartiyainternational.com.

EDIFAR filing

As required under Clause 51 of the Listing Agreement all data relating to quarterly financial results, shareholding pattern etc. are being electronically filed on the EDIFAR Website i.e. www.sebiedifar.nic.in within the prescribed time-frame in this regard

MANAGEMENT DISCUSSION AND ANALYSIS FORMS PART OF THIS ANNUAL REPORT.

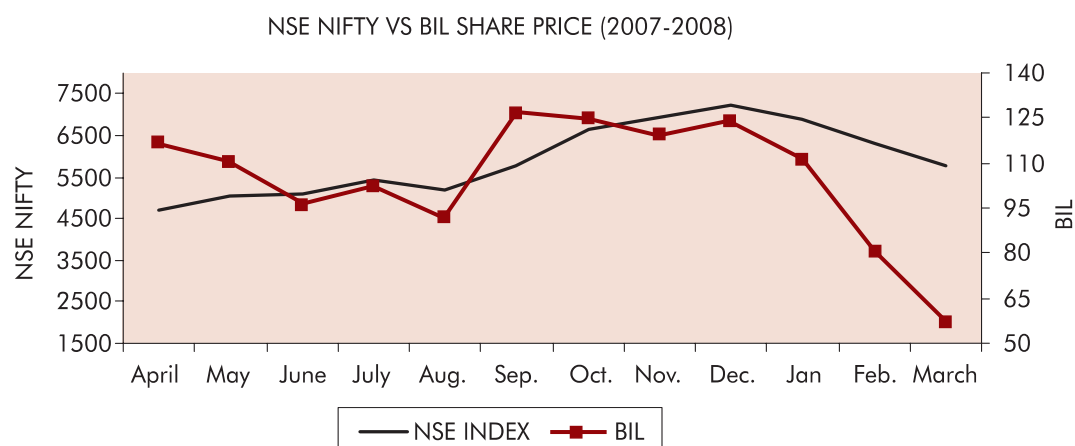
General Information for shareholders

- 1. AGM: Date, Time and Venue** : 22nd September, 2008, 12.00 Noon
at FICCI, Golden Jubilee Auditorium,
Federation House, Tansen Marg,
New Delhi-110 001.
- 2. Financial Calendar for 2008-2009**
Financial year – April to March
Results for Quarter ending 30th June, 2008 : End of July, 2008
Results for Quarter ending 30th Sep., 2008 : End of Oct., 2008
Results for Quarter ending 31st Dec., 2008 : End of Jan., 2009
Year ending 31st March, 2009 : End of June, 2009
- 3. Book Closure** : Monday the 15th September, 2008
to Monday the 22nd September, 2008
(both days inclusive)
- 4. Dividend Payment** : On or before 21st October, 2008
if declared at Annual General
Meeting on 22nd September, 2008
- 5. Listing on Stock Exchanges & Stock Code**
The Company is listed at following Stock Exchanges:-
 1. Bombay Stock Exchange Ltd (Stock Code: 526666) and
 2. National Stock Exchange of India Ltd. (Stock Code: Symbol-BIL, Series – EQ)The Annual listing fee for the year 2008-2009 has been duly paid to both the Stock Exchanges.
Demat ISIN Number for NSDL & CDSL – **INE 828A01016**
- 6. Market Price Data: High, Low during each month in last financial year**

Months	NSE		Months	NSE	
	High (Rs.)	Low (Rs.)		High (Rs.)	Low (Rs.)
April 2007	126.10	106.40	October 2007	145.25	103.75
May 2007	122.00	98.50	November 2007	133.00	105.45
June 2007	99.65	92.65	December 2007	130.50	116.70
July 2007	111.65	93.20	January 2008	135.65	86.55
August 2007	96.90	87.05	February 2008	92.60	68.35
September 2007	159.40	94.00	March 2008	66.60	46.00

BHARTIYA INTERNATIONAL LTD.

7. Stock Performance in comparison to broad-based indices such as NSE Sensex, CRISIL index etc.



8. Share Transfer System

To expedite the share transfer process in physical segment, authority has been delegated to Share Transfer Committee which consist of two members i.e. Mr. Snehdeep Aggarwal & Maj. A. K. Gadhok Directors of the Company. Share transfer/transmissions approved by the Committee are placed at the Board Meeting from time to time. Company Secretary of the Company acts as Secretary of the Committee. Committee meetings are held monthly to approve the share transfers. As at 31st March, 2008 there was no Equity Share pending for Transfer, also there was no Demat Request pending as on 31st March, 2008.

9. Distribution of Shareholding as on 31st March, 2008

No. of Shares	SHAREHOLDERS		SHAREHOLDING	
	Number	% to total	Number	%
Upto – 250	5243	84.701	413944	5.264
251 – 500	438	7.076	175816	2.236
501 – 1000	244	3.942	196343	2.497
1001 – 2000	118	1.906	180540	2.296
2001 – 3000	38	0.614	96877	1.232
3001 – 4000	15	0.242	55507	0.706
4001 – 5000	20	0.323	93318	1.187
5001 – 10000	29	0.468	217949	2.772
10001 & above	45	0.727	6433554	81.812
	6190	100.00	7863848	100.00

10. Shareholding Pattern as on 31st March, 2008

Category	No. of Shares held	% of Paid up Capital
Promoters Holding	1470412	18.70
Persons acting in concert	1772224	22.54
Mutual Funds	3300	0.04
Banks	300	0.00
NRIs/OCBs	163281	2.07
Indian Corporate Bodies	2725936	34.66
Indian Public	1728395	21.99
Total	7863848	100.00

BHARTIYA INTERNATIONAL LTD.

- 11. Registrar & Share Transfer Agent**
(For both Physical & Electronic Transfer etc.) : MAS Services Ltd.
AB – 4, Safdarjung Enclave,
New Delhi – 110 029
Tel. No. 26104142, 4292, 4326,
Fax No. 26181081
E-mail: masserv@gaisdl01.vsnl.net.in
- 12. Dematerialization of shares and liquidity** : As on 31st March, 2008 44.03% of the Paid-up share capital has been dematerialized.
- Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity** : —
- 13. Plant Locations** : Bangalore and Chennai.
- 14. Address for Correspondence** : Bhartiya International Ltd.
E-52, New Manglapuri, Mandi Road
(Mehrauli) New Delhi – 110 030.
Tel No.: 26808177, 26803201, 26803202,
Fax No.: 26803485
E-mail: shares@bhartiyainternational.com

15. Code of Conduct

The Company has formulated and implemented a Code of Conduct for all Board members and senior management personnel of the Company in compliance with Clause 49 of the Listing Agreement with the Stock Exchanges. The Code of Conduct have been posted on the Company's website i.e. www.bhartiya.com

DECLARATION

I, Snehdeep Aggarwal, Managing Director of Bhartiya International Ltd. do hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2008.

New Delhi, 30th June, 2008

Sd/-
Snehdeep Aggarwal
Managing Director

BHARTIYA INTERNATIONAL LTD.

To,
The Board of Directors
Bhartiya International Ltd.

CEO/CFO CERTIFICATION

We Snehdeep Aggarwal, Managing Director & Sanjay Govil, Vice President (Finance) of the Company to the best of our knowledge and belief, certify that:-

- (a) We have reviewed the Balance sheet as at March 31, 2008, Profit and Loss Account, Cash Flow Statement and the Directors report for the Financial Year 2007-08 and based on our knowledge and information confirm that:
- (i) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable Laws and Regulation
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year 2007-2008 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps have taken to rectify these deficiencies.
- (d) We further Certify that:-
We have indicated to the Auditors and the Audit committee that there have been
- (i) No significant changes in internal control over financial reporting during the year;
 - (ii) No significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) No instance of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

New Delhi, 30th June, 2008

Sd/-
Snehdeep Aggarwal
Managing Director

Sd/-
Sanjay Govil
Vice President (Finance)

AUDITOR'S CERTIFICATE

To the members of BIL

We have examined the compliance of Conditions of Corporate Governance by Bhartiya International Ltd. ("the Company") for the year ended on 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We have explained that no investor grievances are pending for a period exceeding one month, as at 31st March, 2008, against the Company as per the records maintained by the Company.

We further state 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 Sushil Poddar & Co.

Chartered Accountants

Sd/-

S. K. Poddar

Prop.

M. No. 94479

New Delhi, 30th June, 2008

AUDITORS' REPORT

To
The Members of
Bhartiya International Ltd.

1. We have audited the attached Balance Sheet of M/s Bhartiya International Ltd. as on 31st March, 2008, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date attached thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 mis-statement. An audit includes examining on a test basis , evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of these books;
 - c) The Balance Sheet , Profit and Loss Account and Cash flow Statement dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Companies Act, 1956.
 - e) Based on the representations made by all the Directors of the company as on 31st March, 2008 and taken on record by the Board of Directors of the company and in accordance with the information and explanations as made available, the Directors of the company do not, prima facie, have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account subject to:

Note No. 12 in Schedule 21 regarding non provision for diminution in value of investments in subsidiary companies, since in the opinion of the Board , these investments are long term in nature and such diminution is only temporary (amount unascertainable), and read together with significant accounting policies and other notes to the accounts in Schedule 21 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

 - i) In the case of the Balance Sheet, of the State of affairs of the company as at 31st March, 2008.
 - ii) In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date and
 - iii) In the case of the Cash Flow Statement of the cash flow for the year ended on that date.

For **Sushil Poddar & Co.**
Chartered Accountants

S. K. Poddar
Prop.
M. No: 94479

New Delhi, 30th June, 2008

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 3 of our Report of even date)

- i. (a) In our opinion, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the company.
- ii. (a) As explained to us, physical verification of inventory, except material lying with third parties and in transit, has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- iii. (a) The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

There are four wholly owned subsidiary companies covered in the register maintained under section 301 of the Companies Act ,1956 to which the company has granted unsecured loans. The maximum amount involved during the year was Rs. 63,761,661/-and the year end balance of loan granted to them was Rs. 60,866,555/-
- (b) The company has granted an interest free unsecured loan of Rs. 60,866,555/- to its Wholly Owned Subsidiaries . In our opinion, having regard to the long term involvement with the wholly owned subsidiaries and according to the explanations given to us in this regard , the terms and conditions of the loans granted are prima facie not prejudicial to the interest of the company.
- (c) There is no stipulation as to the repayment of the principal amount and the interest thereon.
- (d) In view thereof the clause pertaining to the overdue amount being more than Rs 1 Lakh is not applicable.
- iv. In our opinion and according to the information and explanation 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 purchase of inventory , fixed assets and for the sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. (a) According to the information and explanations given to us, during the year under review the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance to contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information given to us, the company has not accepted any deposit to which provisions of Section 58A of the Companies Act ,1956 are applicable. The company has also not accepted any deposits from small depositors as defined in Section 58AA of the Companies act ,1956 and hence the provisions of the said section are not applicable to the company. According to the information and explanations given to us , no order has been passed by the Company Law Board on the company under the aforesaid sections.
- vii. In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.

BHARTIYA INTERNATIONAL LTD.

- viii. Maintenance of cost accounts under section 209(1)(d) of the Companies Act, 1956, has not been prescribed by the Central Government for the company.
- ix. (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, and Cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.
- (c) Following are the amounts which are disputed and not paid by the Company :

Nature of Demand	Amount in Rs	Forum where appeal has been filed
Income Tax	12,269,295	ITAT

- x. The company does not have accumulated losses and has not incurred cash losses in the current financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. During the year, 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 neither a chit fund nor nidhi/mutual benefit fund/ society and hence provisions of paragraph 4 (xiii) of the Companies (Auditor's Report) order 2003 is not applicable to the company.
- xiv. In our opinion and according to the information and explanations given by the management, the company is not a dealer or trader in shares, securities, debentures. However in respect of transactions relating to investment in shares/mutual funds. The company has maintained proper records and timely entries have been made and the investments are held in the name of the company.
- xv. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by its wholly owned subsidiaries from banks or financial institutions are not prima-facie prejudicial to the interest of the Company.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments and no long terms funds have been used to finance short term investments.
- xviii. In our opinion and based on the information and explanations given to us, during the year the Company has made preferential allotment of shares / warrants on private placement basis to parties and companies covered in the register maintained under section 301 of the Act, and shares / warrants have been issued at a price which is not prejudicial to the interest of the Company.
- xix. The company has created securities or charge in respect of debentures issued and outstanding at the year end.
- xx. During the year under review, no money was raised by public issue and as such disclosure of end use of money raised is not applicable.
- xxi. Based upon the audit procedure performed and information and explanation given by the management we report that during the year no fraud on or by the company has been noticed or reported by the management.

For **Sushil Poddar & Co.**

Chartered Accountants

S. K. Poddar

Prop.

M. No: 94479

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**BALANCE SHEET AS AT 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SOURCES OF FUND			
Shareholder's Funds			
Share Capital	1	78,638,480	72,788,480
Advance Subscription	2	–	14,350,000
Share Allotment Money		–	52,650,000
Reserves and Surplus	3	<u>922,909,724</u>	<u>813,372,518</u>
		1,001,548,204	953,160,998
Loan Funds			
Secured Loan	4	479,170,927	550,918,868
Unsecured Loan	5	–	200,000,000
Deferred Tax Liability(Net)		9,757,889	14,805,571
		<u>1,490,477,020</u>	<u>1,718,885,437</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	6	185,831,910	179,246,452
Less: Depreciation		<u>57,298,758</u>	<u>49,554,265</u>
Net Block		128,533,152	129,692,187
Add: Capital Work in Progress		<u>37,705,141</u>	<u>3,378,212</u>
		166,238,293	133,070,399
	7	624,477,813	551,239,859
Investments			
Current Assets, Loans & Advances			
Inventories	8	368,067,739	274,256,545
Sundry Debtors	9	100,922,791	102,019,044
Cash & Bank Balances	10	64,003,357	267,080,816
Loans & Advances	11	<u>374,289,437</u>	<u>624,077,072</u>
		907,283,324	1,267,433,477
Less: Current Liabilities & Provisions			
Current Liabilities	12	172,011,947	183,803,548
Provisions	13	<u>35,510,463</u>	<u>49,054,750</u>
		207,522,410	232,858,298
Net Current Assets		699,760,914	1,034,575,179
		<u>1,490,477,020</u>	<u>1,718,885,437</u>

Notes on accounts and Significant

Accounting Policies

21

Schedule referred to above form an integral part of the Balance sheet

As per our report of even date attached

for **SUSHIL PODDAR & CO.**

Chartered Accountants

For and on behalf of the Board

S.K.Poddar

Prop.

M.No.94479

Deepthi Gambhir

Company Secretary

Manoj Khattar

Vice President

(Accounts)

Snehdeep Aggarwal

Managing Director

Ramesh Bhatia

Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
INCOME			
Sales		1,285,238,564	1,159,177,372
Export Incentives		101,608,320	68,076,768
Other Income	14	26,883,879	21,464,940
Increase/(Decrease) in Stock	15	(28,644,736)	37,573,414
		<u>1,385,086,027</u>	<u>1,286,292,494</u>
EXPENDITURE			
Raw Material Consumption	16	635,819,974	534,871,119
Purchase For Resale		217,097,928	299,796,688
Manufacturing Expenses	17	180,015,149	141,667,340
Personnel Expenses	18	32,832,210	23,292,308
Administrative & Selling Expenses	19	194,794,123	174,042,026
Financial Expenses	20	35,060,690	25,871,325
Depreciation		8,291,745	7,923,421
		<u>1,303,911,819</u>	<u>1,207,464,227</u>
Profit before extraordinary items		81,174,208	78,828,267
- Provision for loss on investment in subsidiary (Refer Note no. 7 in Schedule 21		-	9,385,528
		81,174,208	69,442,739
Profit before Taxes		81,174,208	69,442,739
Provision for Taxes			
- Income Tax		19,696,525	15,393,291
- Fringe Benefits Tax		4,337,696	2,190,000
- Deferred Tax		(5,047,682)	1,849,464
		62,187,669	50,009,984
Profit after Taxes		62,187,669	50,009,984
Balance brought Forward		449,106,285	448,751,951
Less : Dividend on fresh equity issued		-	750,000
Dividend Tax on the above		-	105,187
Balance available for appropriation		<u>511,293,954</u>	<u>497,906,748</u>
APPROPRIATIONS			
Proposed Dividend		11,795,772	11,795,772
Provision for Dividend Tax		2,004,691	2,004,691
General Reserve		10,000,000	10,000,000
Debenture Redemption Reserve		10,000,000	25,000,000
		<u>477,493,491</u>	<u>449,106,285</u>
Surplus Carried to Balance Sheet		477,493,491	449,106,285
Earnings Per Share (face value of Rs. 10 each)			
- Basic		7.91	7.33
- Diluted		7.91	7.17
(Refer to Note No. 19 on schedule21)			
Notes on accounts and Significant			
Accounting Policies	21		
Schedule referred to above form an integral part of the Balance sheet			

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepti Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extra Ordinary Items	81,174,208	78,828,267
Adjusted for :		
Depreciation	8,291,745	7,923,421
Financial expenses (net)	35,060,690	25,871,325
Loss (Profit) on sale of fixed assets	640,215	(4063434)
Loss (Profit) on sale of Investments	(18,541,421)	(11225780)
Dividend Income	(8,342,458)	(10101289)
	<u>17,108,771</u>	<u>8,404,243</u>
Operating profit before working capital change	98,282,979	87,232,510
Adjustment for :		
Inventories	(93,811,194)	(17,157,490)
Sundry Debtors	1,096,253	(50,355,909)
Loans and Advances	106,737,371	(89,530,757)
Sundry Creditors	(11,760,329)	78,942,280
	<u>2,262,101</u>	<u>(78,101,876)</u>
Cash generated from operations	100,545,080	9,130,634
Taxes paid	(14,488,244)	(27,534,323)
Financial expenses (net)	(35,060,690)	(25,871,325)
Cash flow before extra-ordinary items	50,996,146	(44,275,014)
Extra Ordinary Items	-	-
NET CASH FROM OPERATING ACTIVITIES	50,996,146	(44,275,014)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale/Purchases of Investment(Net)	65,263,466	(39,868,773)
Share Application Money Paid	-	(202,500,000)
Dividend received	8,342,458	10,101,289
Sale of Fixed Assets	128,300	6,592,301
Purchase of fixed assets/Capital W.I.P.	(42,228,153)	(10,220,935)
NET CASH USED IN INVESTMENT ACTIVITIES	31,506,071	(235,896,118)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loan	(71,747,941)	264,727,461
Unsecured Loan	(200,000,000)	-
Share Capital Issue Proceeds (Including Share Premium)	58,500,000	135,000,000
Advance Subscription Received(Net)	(5,850,000)	3,500,000
Share Allotment Money Received	(52,650,000)	52,650,000
Dividend paid (including dividend tax)	(13,831,735)	(11,621,232)
NET CASH USED IN FINANCING ACTIVITIES	(285,579,676)	444,256,229

BHARTIYA INTERNATIONAL LTD.**CASH FLOW STATEMENT (CONTD.)**

	CURRENT YEAR	PREVIOUS YEAR
	Rs.	Rs.
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	267,080,816	102,995,719
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	64,003,357	267,080,816

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepthi Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' FORMING PART OF THE ACCOUNTS**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 1: SHARE CAPITAL		
i) Authorised		
a) 12,000,000 (Previous year 12,000,000) Equity shares of Rs.10/- each	120,000,000	120,000,000
b) 500,000 (Previous year -500,000) Preference shares of Rs 100/- each	50,000,000	50,000,000
	<u>170,000,000</u>	<u>170,000,000</u>
ii) Issued, Subscribed and paid up 7,863,848 (Previous Year 7,278,848) equity shares of Rs.10/- each fully paid.	78,638,480	72,788,480
Of these :		
a) 585,000 (Previous Year 500,000) equity shares of Rs. 10/- each have been allotted during the year, at a premium of Rs. 90/- per share to the Promoter and their Associate Companies on conversion of Preferential Share Warrants.		
b) 2,089,308 equity shares of Rs. 10/- each were allotted as bonus shares by capitalisation of the General Reserve	<u>78,638,480</u>	<u>72,788,480</u>
SCHEDULE 2: ADVANCE SUBSCRIPTION		
a) 585,000 Preferential Share Warrant paid up Rs. 10/- each	-	5,850,000
b) 500,000 Preferential Share Warrant paid up Rs. 17/- each	-	8,500,000
	-	<u>14,350,000</u>
SCHEDULE 3: RESERVES & SURPLUS		
i) General Reserves		
As per last year Balance Sheet	129,851,233	119,851,233
Add: Transferred from Profit & Loss A/c	10,000,000	10,000,000
	139,851,233	129,851,233
ii) Share Premium A/c		
As per last year Balance Sheet	200,915,000	75,915,000
Add : Additions during the year on fresh issue of Shares.	52,650,000	125,000,000
	253,565,000	200,915,000
iii) Surplus in Profit & Loss a/c	477,493,491	449,106,285
iv) Debenture Redemption Reserve		
As per last year Balance Sheet	33,500,000	8,500,000
Add: Transferred from Profit & Loss A/c	10,000,000	25,000,000
	43,500,000	33,500,000
v) Preferential Share Warrant Forfeited *	8,500,000	
	<u>922,909,724</u>	<u>813,372,518</u>

* 500,000 Preferential share warrants were forfeited during the year due to non payment of balance amount payable on conversion

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 4: SECURED LOANS		
i) Working Capital Loans from Banks`	308,118,787	248,539,008
ii) Term Loans	18,539,705	-
iii) Vehicle Loans from Bank	2,512,435	2,379,860
iv) Debentures 15,00,000- 9.00% privately placed Secured Redeemable Non Convertible Debentures of Rs.100/-each to be redeemed on 24-05-2008	150,000,000	300,000,000
	479,170,927	550,918,868
SCHEDULE 5: UNSECURED LOANS		
From Others	-	200,000,000
	-	200,000,000

Notes:

- i) Working Capital facilities are secured against hypothecation of stocks of raw - materials, stock in process , finished goods, specified immovable property , plant and machinery, lien on fixed deposits , exports bills and personal guarantees of two Directors.
- ii) Term Loans are secured by exclusive charge on machinery purchased out of Term Loans and parri passu charge on fixed assets.
- iii) Foreign documentary bills discounted with Banks have been shown as a contingent liability.
The same are secured against the export bills and the personal guarantees of Directors.
- iv) Vehicle Loans are secured by way of hypothecation of vehicles financed by the Bank.
- v) Debentures are secured by way of mortgage of specified land situated at Irana Taluka kadi, District Mehsana in the state of Gujarat

SCHEDULE 6: FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	ORIGINAL COST	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	AS ON 31.03.08	UP TO 31.03.07	FOR THE YEAR	SALES ADJUST- MENT	UPTO 31.03.08	AS AT 31.03.08	AS AT 31.03.07
1. Land	22,149,466	-	-	22,149,466	916,535	101,837	-	1,018,372	21,131,094	21,232,931
2. Building	69,077,334	-	-	69,077,334	13,498,049	1,849,246	-	15,347,295	53,730,039	55,579,285
3. Machinery	20,953,088	720,567	-	21,673,655	7,640,821	1,009,984	-	8,650,805	13,022,850	13,312,267
4. Vehicles	24,025,211	1,578,921	1,315,767	24,288,365	9,231,524	2,046,646	547,252	10,730,918	13,557,447	14,793,687
5. Furniture	17,829,987	3,297,037	-	21,127,024	6,341,919	1,250,581	-	7,592,500	13,534,524	11,488,068
6. Office Equipments	12,210,440	949,680	-	13,160,120	3,980,759	581,721	-	4,562,480	8,597,640	8,229,681
7. Computers	13,000,927	1,355,019	-	14,355,946	7,944,658	1,451,730	-	9,396,388	4,959,558	5,056,269
Total	179,246,453	7,901,224	1,315,767	185,831,910	49,554,265	8,291,745	547,252	57,298,758	128,533,152	129,692,188
Previous Year	173,249,034	9,039,034	3,041,615	179,246,453	42,143,593	7,923,421	512,749	49,554,265	129,692,188	131,105,441

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

SCHEDULE	NO OF SHARES/UNITS	CURRENT YEAR Rs.	NO OF SHARES/UNITS	PREVIOUS YEAR Rs.
SCHEDULE 7: INVESTMENT				
(a) Government Securities				
1 Indra Vikas Patra	—	6,500	—	6,500
Total Government Securities	—	6,500	—	6,500
(b) Non- Trade Investments				
(i) Long -Term (Quoted)				
Mutual funds				
1 Templeton Floating Rate Income Fund - LT Growth	—	—	909,022	10,819,184
2 Birla FTP -Series O Growth	1,000,000	10,000,000	1,000,000	10,000,000
3 DSPML India T.I.G.E.R Fund -Div	—	—	262,192	5,000,000
4 DSPML Small & Midcap Fund	244,499	2,500,000	244,499	2,500,000
5 DWS Alpha equity Fund Div	—	—	277,008	5,000,000
6 Farnklin India Flexi Cap Fund -Dividend	—	—	296,912	5,000,000
7 HDFC Equity Fund -Dividend	—	—	130,938	5,000,000
8 HDFC FMP 26M Aug 2006- Growth	1,000,000	10,000,000	1,000,000	10,000,000
9 ING Vysya CUB Fund - Dividend	250,000	2,500,000	250,000	2,500,000
10 ING Vysya Fixed Maturity Fund Series XXII -Growth	1,000,000	10,000,000	2,000,000	20,000,000
11 J.M. Basic Fund-Growth Plan	183,255	5,000,000	—	—
12 Kotak FMP Series 26	—	—	2,500,000	25,000,000
13 Kotak Global Emerging Market Fund-Growth	100,000	1,000,000	—	—
14 Optimix Asset Allocator FOF Scheme	—	—	487,805	5,000,000
15 Optimix Dynamic Fof Scheme-Div	200,000	2,000,000	200,000	2,000,000
16 Principal Floating Rate Fund FMP	123,112	1,231,635	—	—
17 Prudential ICICI Infrastructure Fund Div	—	—	321,337	5,000,000
18 Pru ICICI Dynamic Plan Dividend	—	—	282,925	5,000,000
19 SBI Magnum Multiplier Plus Scheme 93-Growth	28,928	2,500,000	—	—
20 Sundaram BNP Paribas Select Midcap Fund-D	—	—	252,334	5,000,000
21 Tata Infrastructure Fund-Dividend	—	—	255,560	5,000,000
22 Tata SIP Fund Growth	500,000	5,000,000	500,000	5,000,000
23 Reliance LIQ Fund REAS Plan Wkly. Div	84,961	1,300,870	79,871	1,223,039
24 K Liquid (G)	1,406,120	2,258,262	187,402	2,800,267
25 Reliance LIQ Fund REAS Plan IP Growth	6,999	137,589	18,019	327,940
26 Prinicpal Cash Mgmt Fund	11,350	150,728	—	—
Total Mutual Funds		55,579,083		137,170,430
(Aggregate NAV of Mutual Funds - RS. 5,97,80,286/- (Previous Year 14,37,38,215/-)				
(ii) Current Investments (Quoted)				
Equity Shares				
1 Aban Offshore Ltd.	165	704,197	80	151,856
2 Adani Enterprises Ltd.	659	637,362	—	—
3 Adlabs Films Ltd.	594	690,209	—	—
4 Aia Engineering Ltd.	244	407,960	—	—
5 Akruti Nirman Ltd.	—	—	633	364,937
6 Amara Raja Batteries Ltd.	4,601	818,288	—	—
7 Ambika Cotton Mills Ltd.	—	—	1,496	269,480
8 Arrow Webtex Ltd.	4,230	141,047	—	—
9 ASC Enterprises	—	—	921	36,057
10 Asian Elec. Ltd.	1,430	599,878	—	—
11 Atlas copco (India) Ltd.	—	—	393	104,995
12 Axix Bank Ltd.	484	392,129	—	—
13 Bajaj Auto Ltd.	—	—	58	148,201
14 Balaji telefilms Ltd.	2,630	420,879	5,358	616,913
15 Banaswara syntex Ltd.	—	—	559	45,788
16 Bank Of Baroda	325	105,759	—	—
17 Bartronics India Ltd.	2,778	496,084	—	—
18 BASF India Ltd.	1,346	443,716	—	—
19 Bata India Ltd.	3,410	470,443	—	—

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

SCHEDULE	NO OF SHARES/UNITS	CURRENT YEAR Rs.	NO OF SHARES/UNITS	PREVIOUS YEAR Rs.
20 BEML Ltd.	392	653,765	—	—
21 Bharat Bijlee Ltd.	70	119,008	102	119,556
22 Bharat Heavy Electricals Ltd.	158	303,971	110	229,462
23 Bharati Shipyard Ltd.	1,381	1,028,151	—	—
24 Bharti Airtel Ltd.	399	365,210	—	—
25 Blue Bird (India) Ltd.	—	—	1,013	84,490
26 Bombay Dyeing Manufacturing Co Ltd.	514	410,849	—	—
27 Chambal Fertilizers & Chemicals Ltd.	3,933	274,630	—	—
28 Cipla Ltd.	—	—	2,500	308,962
29 Container Corporation of India Ltd.	230	442,947	—	—
30 Core Projects & Technologies Ltd.	1,250	521,201	—	—
31 Coromandel Fertilizers Ltd.	2,494	345,788	—	—
32 Cromtton Greaves Ltd.	1,208	469,700	—	—
33 DCM Shriram Consolidated Ltd.	—	—	707	2,095
34 Dena Bank	2,780	184,233	—	—
35 Divis Laboratories Ltd.	251	340,180	—	—
36 DLF Ltd.	396	340,901	—	—
37 Dolphin Offshore Enterprises Ltd.	—	—	243	45,476
38 Dredging Corporation of India Ltd.	—	—	1,000	458,211
39 Elpro International Ltd.	—	—	251	77,587
40 Federal Bank Ltd.	1,625	542,409	—	—
41 Fulford India Ltd.	1,133	541,678	—	—
42 Gammon India Ltd.	857	590,326	—	—
43 Gabesh Housing Corporate Ltd.	1,065	754,925	—	—
44 Gateway Distipark Ltd.	—	—	2,000	423,830
45 GEI Industrial Systems Ltd.	3,488	298,387	—	—
46 Genus Power Infrastructures	706	293,271	—	—
47 Genus Power Infrastructures Ltd.	653	404,801	—	—
48 GMR Infrastructure Ltd.	—	—	1,240	469,426
49 Goldstone Technologies Ltd.	1,014	140,684	—	—
50 Great Offshore Ltd.	467	479,714	—	—
51 Greaves Cotton Ltd.	1,691	460,303	—	—
52 Greaves Cotton Ltd.	—	—	3,005	547,071
53 GTL Infrastructure Ltd.	1,580	134,779	—	—
54 GTL Ltd.	2,126	491,028	—	—
55 GVK Power & Infrastructure Ltd.	1,620	136,488	—	—
56 Hikal Ltd.	987	384,614	—	—
57 Hind Refractories Ltd.	—	—	166	170,496
58 Hinduja Ventures Ltd.	1,002	780,989	—	—
59 Hindustan Construction Company Ltd.	2,384	527,104	—	—
60 Hindusthan Dorr- Oliver Ltd.	3,540	642,812	883	80,810
61 Hindusthan Unilever Ltd.	—	—	2,511	450,135
62 Housing Development and Infrastructure Ltd.	668	553,325	—	—
63 Housing Development Finance Corporation Ltd.	212	617,707	—	—
64 ICICI Bank Ltd.	1,400	1,588,252	138	83,746
65 ICSA (India) Ltd.	600	302,101	—	—
66 IDFC Ltd.	4,621	728,217	2,000	140,100
67 India Cements Ltd.	—	—	2,500	404,914
68 India Infoline Ltd.	441	718,462	—	—
69 Indiabulls Financial Services	192	168,796	—	—
70 Indiabulls Real Estates Ltd.	187	134,478	198	66,544
71 Industrial Development Bank of India	942	127,916	—	—
72 Infosys Technologies Ltd.	366	550,797	373	603,962
73 International Hometex Ltd.	—	—	39	772
74 Itc Ltd.	2,715	402,799	2,600	384,669
75 Jai Corp. Ltd.	327	378,859	—	—
76 Jaiprakash Associates Ltd.	4,130	953,117	—	—
77 JBF Industries Ltd.	3,158	650,706	—	—

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

SCHEDULE	NO OF SHARES/UNITS	CURRENT YEAR Rs.	NO OF SHARES/UNITS	PREVIOUS YEAR Rs.
78 Jindal Saw Ltd.	135	157,155	—	—
79 JMC Projects India Ltd.	—	—	70	17,893
80 KEC International Ltd.	413	355,186	—	—
81 Kemrock Industries & Exports Ltd.	—	—	514	123,193
82 Khoday India Ltd.	937	227,265	—	—
83 Kirloskar Pneumatic Company Ltd.	1,554	497,114	1,496	357,443
84 KLG Systel Ltd.	171	174,038	—	—
85 KPIT Cummins Infosystems Ltd.	—	—	749	94,383
86 Larsan & Toubro Ltd.	384	1,494,899	478	270,158
87 Madhav Marbles & Granite Ltd.	—	—	403	55,396
88 Maharashtra Seamless Ltd.	287	160,685	—	—
89 Manugraph India Ltd.	—	—	817	82,027
90 Marico Industries Ltd.	—	—	1,600	76,685
91 Maruti Suzuki India Ltd.	843	691,642	—	—
92 Mc leod Russel (India) Ltd.	—	—	3,593	265,834
93 Mic Electronics Ltd.	770	352,036	—	—
94 Moneet Ispat Energy Ltd.	656	330,304	—	—
95 Moser Baer India Ltd.	1,931	583,361	350	97,957
96 MTNL Ltd.	—	—	2,000	235,140
97 Nava Bharat Ventures Ltd.	2,469	785,512	—	—
98 Navin Fluorine International Ltd.	1,136	470,751	—	—
99 NELCO Ltd.	2,777	318,261	—	—
100 Network 18 Fincap Ltd.	—	—	3,303	1,160,606
101 Network 18 Media & Investments Ltd.	2,074	820,454	—	—
102 Network 18 Media & Investments Ltd. - PCCPS	415	—	—	—
103 Nifty put-26/4/07-3600	—	—	300	14,227
104 NIIT Ltd.	3,088	194,877	908	580,354
105 NIIT Technologies	499	170,294	—	—
106 NTPC Ltd.	4,000	651,842	2,000	171,369
107 Octav Investmetns Ltd.	33	—	—	—
108 ONGC Ltd.	750	438,450	750	438,450
109 Orbit Corporation Ltd.	206	66,514	—	—
110 Oriental Bank of Commerce	—	—	444	114,595
111 Panecea Biotech Ltd.	—	—	242	111,195
112 Parsvnath Developers Ltd.	—	—	2,056	973,283
113 Patel Engineering Ltd.	441	317,129	—	—
114 Petronet LNG Ltd.	1,285	144,980	—	—
115 PFIZER Ltd.	785	470,364	—	—
116 Praj Industries Ltd.	1,174	219,491	—	—
117 Pratibha Industries Ltd.	545	129,999	—	—
118 Precision Wires India Ltd.	—	—	1,364	245,626
119 Prime Focus Ltd.	—	—	464	194,971
120 Punj Lloyd Ltd.	2,272	807,164	—	—
121 Ranbaxy Laboratories Ltd.	1,685	658,780	1,000	347,640
122 Relaince Industries Ltd.	1,523	3,414,044	547	320,266
123 Reliance Capital Ltd.	286	115,334	1,704	869,024
124 Reliance Communications Ltd.	5,433	3,528,035	1,157	374,925
125 Reliance Enerry Ltd.	1,169	2,143,790	—	—
126 Reliance Narural Resources Ltd.	2,357	453,919	—	—
127 RTS Power Corporation	645	135,137	—	—
128 Sai Royalaseem Paper Mills Ltd.	31,792	386,273	—	—
129 Sasken Communications Technologies Ltd.	—	—	181	88,059
130 Satyam Computers Ltd.	—	—	1,034	449,724
131 Seimens Ltd.	—	—	348	372,336
132 Sintex Industries Ltd.	—	—	634	141,172
133 SKF India Ltd.	2,109	649,804	—	—
134 Sobha Developers Ltd.	—	—	639	458,378
135 State bank Of ndia	—	—	9	8,805

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

SCHEDULE	NO OF SHARES/UNITS	CURRENT YEAR Rs.	NO OF SHARES/UNITS	PREVIOUS YEAR Rs.	
136 Sterlite Industries (India) Ltd.	1101	1,125,021	—	—	
137 Sun Pharmaceuticals Industries Ltd.	—	—	791	799,429	
138 Suprajit Engineering Ltd.	—	—	2,000	163,200	
139 Suzlon Energy Ltd.	3,345	993,111	—	—	
140 Syndicate Bank	1,515	179,942	—	—	
141 Tanla Solutions Ltd.	934	685,164	—	—	
142 Tata Chemicals Ltd.	1,730	568,973	—	—	
143 Tata Communications Ltd.	199	110,839	—	—	
144 Tata Consultancy Services Ltd.	229	33,879	1,459	783,573	
145 Tata Motors Ltd.	—	—	446	376,460	
146 Tata Teleservices Ltd.	5,000	116,350	5,000	116,350	
147 Union Bank Of India	327	49,577	1,031	137,587	
148 Utv Software Communications	130	123,123	536	164,387	
149 Veejaylakshmi Engineering Works Ltd.	—	—	1,500	156,198	
150 Vishal Retail Ltd.	170	160,571	—	—	
151 Voltas Ltd.	—	—	697	50,053	
152 Voltamp Transformers Ltd.	123	113,073	—	—	
153 Welspun Guj Stahl Rohren Ltd.	735	338,598	—	—	
154 Wire & Wireless (India) Ltd.	—	—	500	45,590	
155 Zee Entertainment Ent. Ltd.	1,328	419,011	—	—	
156 Zee News Ltd.	—	—	452	19,538	
157 Zee Telefilms Ltd.	—	—	1,000	238,001	
Total Equity Shares		55,140,442		19,052,021	
Market Value of Shares as on 31.03.2008 was Rs. 5,56,30,241/- (Previous Year Rs. 2,00,74,698/-)					
(c) Trade Investments-Long Term (Unquoted at cost)					
Investment in Subsidiary Companies					
1	Equity share in Bhartiya Global Marketing Ltd.	999,020	9,990,200	999,020	9,990,200
2	Equity share in Bhartiya International Holding-Plc,Luxemburg (having par value of US \$ 1,000) (Ref Note no 7 in schedule no 21)	—	—	500	719,121
3	Member's Contribution in B I L Group LLC	—	69,471,300	—	64,971,300
4	Equity Shares in Ultima S.A. Switzerland (having par value of SFR 1,000)	1,000	33,785,508	1,000	33,785,508
5	Equity Shares in World Fashion Trade (having par value of \$ 1,000)	1,000	44,780	1,000	44,780
6	Equity Shares in Bhartiya International Sez Ltd. (having par value of Rs. 10/-)	50,000	500,000	50,000	500,000
Total Investments in Subsidiary Companies			113,791,788		110,010,909
Investment in Associate Companies					
1	Equity Shares in Bhartiya Urban infrastructure & Land Development Co. Pvt. Ltd.	11,200,000	280,000,000	11,200,000	280,000,000
2	Compulsory Convertible Preference Shares in Bhartiya Urban infrastructure & Land Development Co. Pvt. Ltd.	4,796,865	119,960,000	—	—
Total investments in Associate Companies			399,960,000		280,000,000
Grand Total			624,477,813		546,239,859

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 8: INVENTORY		
(as taken, valued and certified by the Directors)		
i) Raw-Materials	225,014,206	186,675,109
ii) Finished Goods	41,586,968	70,231,704
iii) Consumable Stores	101,466,565	17,349,732
	<u>368,067,739</u>	<u>274,256,545</u>
SCHEDULE 9: SUNDRY DEBTORS		
(Unsecured considered good)		
i) above 6 months	26,678,133	33,270,740
ii) others	74,244,658	68,748,304
	<u>100,922,791</u>	<u>102,019,044</u>
SCHEDULE 10: CASH & BANK BALANCES		
i) Cash in hand	3,024,048	2,726,317
ii) Balance with scheduled Banks		
- in current a/c's	28,466,254	237,252,396
- in fixed deposits	30,679,557	24,930,433
iii) Balance with non scheduled bank -in current A/c's (See Note no 16 in Schedule 21)	370,270	667,267
iv) Share Application Money Refundable	2,095	3,020
v) Dividend Account	1,461,133	1,501,383
	<u>64,003,357</u>	<u>267,080,816</u>
SCHEDULE 11: LOANS & ADVANCES		
(unsecured, considered good unless otherwise stated)		
i) Advance for Immovable Property	7,300,000	7,352,500
ii) Advances Recoverable in cash or in kind or for value to be received	112,338,089	464,578,788
iii) Loan to Subsidiary Companies (See Note no15 in Schedule 22)	60,866,555	63,761,661
iv) Advances to Subsidiary Companies. (See Note no15 in Schedule 22)	165,953,698	35,598,430
v) Tax Deducted at source & Advance Taxes	19,446,590	42,536,854
vi) Advances to Staff	2,075,517	2,401,284
vii) Security Deposits	5,214,604	4,903,033
viii) Prepaid expenses	1,094,384	2,944,522
	<u>374,289,437</u>	<u>624,077,072</u>

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 12: CURRENT LIABILITIES		
i) Acceptances	16,462,267	40,107,707
ii) Sundry Creditors		
-Micro, Small and Medium Enterprises	-	-
- Others	135,230,324	123,516,229
iii) Share Application Money Refundable	4,120	4,120
iv) Unpaid Dividend	1,454,915	1,486,187
v) Other Current Liability	18,860,321	18,689,305
	<u>172,011,947</u>	<u>183,803,548</u>
SCHEDULE 13: PROVISIONS		
i) Proposed Dividend	11,795,772	11,795,772
ii) Income Tax/Wealth Tax	21,710,000	35,254,287
iii) Dividend Tax	2,004,691	2,004,691
	<u>35,510,463</u>	<u>49,054,750</u>
SCHEDULE 14: OTHER INCOME		
i) Dividend Income	8,342,458	10,101,289
ii) Profit on sale of Investments	18,541,421	11,225,780
iii) Miscellaneous Income	-	137,871
	<u>26,883,879</u>	<u>21,464,940</u>
SCHEDULE 15: INCREASE /(DECREASE) IN STOCK		
Opening Stock (Finished Goods)	70,231,704	32,658,290
Closing Stock (Finished Goods)	41,586,968	70,231,704
Increase/(Decrease) in Stock	<u>(28,644,736)</u>	<u>37,573,414</u>
SCHEDULE 16: RAW MATERIAL CONSUMPTION		
Opening Stock	204,024,841	224,440,765
Add: Purchases	758,275,904	514,455,195
	<u>962,300,745</u>	<u>738,895,960</u>
Less: Closing Stock	326,480,771	204,024,841
Raw Material Consumption	<u>635,819,974</u>	<u>534,871,119</u>
SCHEDULE 17: MANUFACTURING EXPENSES		
i) Wages	1,472,551	1,050,471
ii) Fabrication Expenses	153,997,095	125,169,168
iii) Other Manufacturing Expenses	10,964,531	8,626,280
iv) Freight & Cartage	13,580,972	6,821,421
	<u>180,015,149</u>	<u>141,667,340</u>

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 18: PERSONNEL EXPENSES		
i) Salary, Allowance & Bonus	28,214,265	19,609,991
ii) Welfare Expenses	3,460,200	2,786,448
iii) Contribution to Provident & Other funds	1,157,745	895,869
	<u>32,832,210</u>	<u>23,292,308</u>
SCHEDULE 19: ADMINISTRATIVE & SELLING EXPENSES		
i) Rent	4,543,256	3,593,017
ii) Travelling & Conveyance	27,955,780	28,391,325
iii) Power & Fuel	4,073,342	3,595,209
iv) Insurance	1,606,640	1,979,620
v) Freight on Exports	59,018,624	59,813,038
vi) Commission, Brokerage & Discount	40,671,993	32,728,568
vii) Repair & Maintenance		
- Building	3,963,787	811,992
- Plant & Machinery	615,806	862,787
- Others	1,631,502	1,714,023
viii) Miscellaneous Expenses	22,798,541	17,853,432
ix) Communication Cost	5,578,395	4,623,823
x) Consultancy Charges	12,809,581	14,851,324
xi) Rates Taxes & Duties	447,326	476,961
xii) Auditors Remuneration	302,500	302,500
xiii) Loss on Sale of Fixed Assets	640,215	(4,063,434)
xiv) Directors Meeting Fee	96,000	65,500
xv) Packing Expenses	8,040,835	6,442,341
	<u>194,794,123</u>	<u>174,042,026</u>
SCHEDULE 20: FINANCIAL EXPENSES		
i) Interest -Net	31,170,829	15,715,190
ii) Other Financial Charges	14,116,449	10,650,618
iii) Foreign Exchange fluctuation -Net	(10,226,588)	(494,483)
	<u>35,060,690</u>	<u>25,871,325</u>

SCHEDULE 21: NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES**1. SIGNIFICANT ACCOUNTING POLICIES:****a) Method of Accounting**

The Financial statements are prepared on accrual basis under the historical cost convention in compliance with the Accounting Standards referred to in section 211 (3C) and in accordance with the requirements of the Companies Act, 1956.

b) Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of duties, taxes and incidental expenses related to acquisition. In respect of project involving construction, related pre-operational expenses form part of the value of assets

SCHEDULES' (CONTD.)

capitalised. Interest on borrowings and other financing costs directly attributable to the asset during the period of construction / acquisition upto the date the asset is put to use is also added to the cost of Fixed Assets.

c) Depreciation

Depreciation on fixed assets is calculated on straight line method in accordance with the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of the lease.

Depreciation on assets at the overseas branches are as per the rates applicable / levied therein.

d) Inventories

- Raw materials and consumables have been valued at cost. Cost is determined on FIFO basis.

- Finished goods are valued at lower of cost or net realisable value. Cost is determined as per the absorption costing method.

e) Foreign Exchange Transactions

a) Transactions denominated in Foreign Currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

b) Current Assets, Current Liabilities and the ECB loan, outstanding in foreign currency at the year end, are converted at the closing exchange rates.

c) Investments in Overseas Subsidiary is carried at the original rupee cost.

d) In respect of transactions at the Overseas Offices,

i) revenue expenditure and income during the year are converted into Indian Rupees at the average rate prevailing during the year.

ii) Fixed assets acquired are accounted for at the actual exchange rate prevailing at the time of acquisition.

iii) Current Assets and Liabilities are translated at the rate prevailing on the last working day of the year.

iv) Balances of the Head Office account appearing in Foreign Currency in branch books are translated at corresponding rupee balance appearing in the Head Office books.

e) All gains /losses on such conversion are charged to profit and loss account.

f) Retirement Benefits

The employer's contribution to the employees provident fund is accounted for on accrual basis and is charged to the profit and loss account during the year. The gratuity liability is provided as per the actuarial valuation on the fund maintained at the ING Vysya Life Insurance Group Gratuity Scheme. Provision is made for value of unutilised leave due to employees at the end of the year.

g) Miscellaneous Expenses

In terms of the Accounting Standard 26 - Intangible Assets issued by the Institute of Chartered Accountants of India expenditure incurred during the year on brand and overseas market development are charged to the Profit and Loss account.

h) Investment

All long term investments are stated at cost. Provision in the carrying amount of long term investments is made for any diminution in value considered permanent. Current Investments are carried at lower of cost or market value.

i) Taxation

Provision for tax for the year comprises current Income Tax, Fringe benefit tax and Wealth Tax determined to be payable in respect of taxable income / Wealth and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent periods.

j) Impairment of Assets

Where there is a indication that an asset is impaired, the recoverable amount, if any, is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

k) Provisions Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard -29 (Provisions, Contingent Liabilities and Contingent Assets) , issued by the institute of Chartered Accountants of India, provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company .

		Current Year Rs.	Previous Year Rs.
2	(a) Estimated value of contract remaining to be executed on capital Account and not provided for	2,501,250	500,000
	(b) Contingent liabilities not provided for		
	i) Letter of Credit outstanding -	156,830,694	117,222,423
	ii) Standby Letter of credit (SBLC) issued by companies bankers in favor of the bankers of its subsidiaries		
	- Ultima Italia SRL	40,680,500	40,680,500
	- Ultima S A	59,346,000	59,346,000
	- WFT Ltd , HongKong	15,309,000	15,309,000
	iii) Bills discounted with banks -	76,741,562	63,692,283
	iv) Other Guarantee given by bank -with corporation Bank	100,000	100,000
	v) Corporate Guarantee given by the company to a bank against facilities granted by that bank to its wholly owned subsidiaries		
	J & J Leather Enterprises ltd	55,000,000	30,000,000
	Ultima Italia Srl	35,132,500	35,132,500
	vi) Income Tax Demand under dispute	12,269,295	12,225,791
3 .	Investment in the Wholly Owned Subsidiaries, Ultima S.A., Switzerland, Bhartiya Global Marketing Ltd., and Bhartiya International SEZ Ltd. include 1 equity share of the nominal value of SFR 1,000 (Rs.33,785/-), 6 equity shares (Rs 60) respectively held in the name of Directors / nominees in fiduciary capacity for the company.		
4.	Fixed deposits of Rs.2,36,14,653- (previous year Rs2,12,09,995/-) and investments in mutual funds of Rs-NIL-(Previous Year Rs-69,310,330/-)are pledged with the banks for various limits and facilities granted.Indira Vikas Patra totaling to Rs.6,500/- each are given as security both to Sales Tax Department. and RTO		
5.	Registration formalities in respect of properties purchased for Rs.1,850,000/- (Previous year Rs. 1,850,000/-) are pending.		
6.	In the opinion of the Directors, the Current Assets, Loans and Advances have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business and provision for all known liabilities has been adequately made in the accounts.		
7.	Bhartiya International Holding SA in Luxembourg, a wholly owned subsidiary of the company has been liquidated during the year and Loss of Rs. 192,257 , net of provision of Rs. 9,385,528 provided during the last year has been provided in the books of accounts.		
8.	SEGMENT INFORMATION		

a) BUSINESS SEGMENTS:

Based on similarity of activities/ products, risk and reward structure, organisation structure and internal reporting systems, the Company has structured its operations into more than one segment during the year.

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

b) GEOGRAPHIC SEGMENTS

Operation of the Company do not qualify, for reporting as geographic segments , as per the criteria set out under Accounting Standard 17 on segment reporting issued by the Institute of Chartered Accountants of India.

	Rs. In Lacs				
	Leather Products	Textile Apparels	Others	Unallocable	Total
a. Segment Revenue	11,414.59	1,552.44	901.44	268.84	14,137.31
b. Segment Results	1,322.68	345.72	(204.42)	268.84	1,732.82
c. Less: Unallocable expenses net of Income				509.20	509.20
d. Operating Profit					1,223.62
e. Less:- Interest					411.88
f. Profit before Tax					811.74
g. Provision for taxation (Current Tax, deferred and fringe benefit tax)					189.87
h. Profit after Tax					621.87
i. Capital Employed	2,639.69	117.40	697.03	6,561.36	10,015.48

Note:- In the previous year the Company operated in single reportable segment hence previous period figures are not available.

9. Debit and Credit balances of parties are subject to their confirmation.
10. The Company has not received information from vendors regarding their status under the Micro, Small and Medium enterprises Development Act , 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act have not been given.
11. Previous year expenses debited to profit & loss account Rs-1,018,119 /- (Previous Year Rs-112,938/-)
12. The Company has not provided for the diminution in the value of long term strategic investments made in some subsidiary companies and loans / advances given to them, since in the opinion of the Board such diminution in their value is only temporary in nature considering the inherent value , nature of investments , the investees' assets and expected future cash flow from such investments.
13. The company has a Wholly Owned Subsidiary by the name of BIL Group LLC in USA. As per the incorporation documents of this Limited liability Company, Bhartiya international Ltd is the sole member having 100% membership interest and the entire investment has been represented as members capital contribution. An LLC for income tax purposes in USA under the IRS can elect to be taxed as either a partnership or as a separate corporate entity. In the selection of being taxed as a partnership , the LLC is a pass through entity and the members get taxed on their share of the profit/loss. BIL Group LLC has, adopted to be taxed as a partnership and hence Bhartiya International Ltd being the sole member, shall be taxed for the full profit or loss in USA .The financial year closure of this LLC is 31st December and it has reported a loss of USD 2,325/- (Rs 92,780/-) in its financial year ended 31st December 2007. Accordingly Bhartiya International Ltd shall be filing a tax return in the USA showing its loss of USD 23,251/- (Rs 92,780/-) in BIL Group LLC and shall claim deduction of this loss against its Income Tax liability in India.
- 14 a) Provisions for Income tax includes Rs 896,525 /- (Previous Year Rs.843,291/-)being taxes paid for earlier years.
b) Provisions for fringe Benefits Tax includes Rs. 1,427,696/- (Previous year NIL) being FBT paid for earlier years.
c) In compliance with the Accounting Standard on "Taxation on Income" (AS-22) issued by Institute of Chartered Accountants of India., the breakup of net deferred tax liability as on 31.3.2008 and the deferred tax Assets for the year is provided below :

BHARTIYA INTERNATIONAL LTD.

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Deferred Tax Liability / (Deferred Tax Assets)			
Particulars	As On 1.4.2007	For The Year	As On 31.3.2008
Depreciation	14,805,571	598,076	15,403,647
Capital Loss	–	(5,645,758)	(5,645,758)
Net Deferred Tax Liability	14,805,571	(5,047,682)	9,757,889

15 Sundry Debtors, Loans & Advances, Sundry Creditors include amounts due from / to subsidiaries companies as under:

	As at 31.3.2008 Rs.	As at 31.3.2007 Rs.
i) Sundry Debtors		
– Merix XXI, S.L.	–	11,043,316
– BIL Group LLC	3,860,388	3,178,716
– Ultima S.A Switzerland	–	7,005,417
ii) Loans		
– Bhartiya Global Marketing Ltd	33,750,000	33,750,000
– World Fashion Trade Ltd	27,116,555	29,831,411
iii) Advances		
– Bhartiya Global Marketing Ltd	32,879,078	29,451,270
– Ultima S.A Switzerland	18,360,186	3,054,661
– Ultima Italia SRL	667,101	2,864,274
– World Fashion Trade Ltd	384,247	
– Bil Group LLC	228,225	228,225
– Bhartiya International SEZ Ltd.	113,434,861	180,250
iv) Sundry Creditors		
– Ultima Italia SRL	21,962,703	19,287,170
– World Fashion Trade Ltd	–	8,356,017
– J & J Leather Enterprises Ltd	12,458,475	16,379,060

16 Balances with non-scheduled Bank are as under :

	As at 31.3.2008 Rs.	As at 31.3.2007 Rs.	Maximum amount outstanding at any time during the year Rs.	Maximum amount outstanding at any time during the previous year Rs.
a) Casa Risparia Di Pisa, Italy	370,270	644,691	1,383,163	1,635,679
b) Deutsche Bank, Italy	–	22,576	22,576	32,786
	370,270	667,267	1,405,739	1,668,465

17. Details of Managerial Remuneration to Managing Director & Whole Time Directors

	Current Year Rs.	Previous Year Rs.
a) Salary	2,556,000	2,556,000
b) Contribution to Provident Fund	9,360	9,360
c) Allowances & Perquisites	85,050	150,800
	2,650,410	2,716,160

Computation of net profit for calculation of managerial remuneration u/s 349 of the Companies Act 1956 has not been enumerated since no commission is paid / payable to the Managing and Whole Time Director.

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

18. Related party disclosures

Related party disclosure as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below :

a) Relationship:

i) Subsidiary Companies

Domestic

Bhartiya Global Marketing Ltd
J&J Leather Enterprises Ltd,
Bhartiya International SEZ Ltd

Overseas

World Fashion Trade Ltd, Mauritius
Merix XXI S.L Spain
Ultima S.A , Switzerland
Ultima Italia SRL , Italy
BIL Group LLC, USA

ii) Associate Parties

Bhartiya Prakash Leather
Bhartiya Urban Infrastructure & Land development Co. Pvt Ltd
Bhartiya Developers Consortium Pvt Ltd
D. J. Projects Pvt. Ltd.
Milestone Buildcon Pvt. Ltd.

iii) Key Management Personnel:

Board Of Directors

Snehdeep Aggarwal
C.L.Handa
Jaspal Sethi
Ramesh Bhatia
A.K .Gadhok
Sandeep Seth
Shashank
Nikhil Aggarwal
Ananthkrishna Sahasranaman

iv) Relatives Of Key Management Personnel

Kanwal Aggarwal
Arjun Aggarwal

v) Summary of transactions during the year :	Subsidiary Company	Associate Parties	Key Management Personnel	Relatives of Key Management Personnel's
a) Sales	134,643,604 (171,056,165)	—	—	—
b) Interest Income	— (790,594)	28,223,949 (52,258,437)	—	—
c) Purchases / Job Work	53,111,653 (100,158,925)	—	—	—
d) Salaries	—	—	2,650,410 (2,716,160)	360,000 (360,000)
e) Sitting fees	—	—	96,000 (65,500)	—
f) Rent	—	—	—	480,000 (480,000)
g) Commission expense	21,419,060 (17,152,485)	—	—	—
h) Balances Outstanding at the year end:				
Loans Given	60,866,555 (63,761,661)	23,740,000	—	—

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

Sundry Creditors	34,421,178	75,755	66,261	67,700
	(45,339,057)	(167,385)	—	(67,670)
Advances Recoverable	165,953,698	23,740,000	7,824	—
	(35,598,430)	(28,938)	—	—
Sundry Debtors	3,860,388	—	—	—
	(22,544,259)	—	—	—
Share Application Money	—	—	—	—
	—	(356,200,000)	—	—

19. Earning Per Share (EPS)

- a) The Following table reconciles the numerators and denominators used to calculate Basic and Diluted Earnings per share for the year ended 31st March, 2008 and the year ended 31st March, 2007 :

	Current Year Rs.	Previous Year Rs.
Income available to Equity Shareholders	62,187,669	50,009,984
No of Shares at the beginning of the Year (A)	7,278,848	6,278,848
Equity allotted during the year	585,000	1,000,000
Weighted Average Shares (B)	585,000	541,618
Weighted Average Shares Outstanding (nos)(A+B)	7,863,848	6,820,466
Effect of Dilutive Securities (nos):		
Add: Adjustment for warrants convertible into Equity Shares	—	159,194
Weighted Average number of equity shares for Diluted EPS	7,863,848	6,979,660
Nominal Value per share	10	10
Earnings per share (Basic)	7.91	7.33
Earnings per share(Diluted)	7.91	7.17

20. Auditor's Remuneration

	Current Year Rs.	Previous Year Rs.
Audit Fees	200,000	200,000
Certification	60,000	62,500
Tax & Consultancy	42,500	40,000
Reimbursement of Expenses	25,000	25,000

21. Additional information (Pursuant to the provision of paragraph 3, 4C and para II of schedule VI) to the Companies Act, 1956.

A. LICENSE CAPACITIES AND PRODUCTION

The company has been issued a letter of intent by secretariat of industrial approvals, Department of Industrial development, Ministry of Industry for manufacture of Leather Garments with capacity of 54,000 Nos. per Annum at their current factory in Bangalore. In view of the nature of the garments industry the installed capacity with specific reference to numbers of garments pieces is not ascertainable.

B. PRODUCTION/PURCHASE, TURNOVER & STOCK

Product	UNIT	Opening Stock		Purchase		Production		Sales		Closing Stock	
		Qty	Value(Rs)	Qty	Value(Rs.)	Qty	Value(Rs)	Qty	Value(Rs)	Qty	Value(Rs)
Garments	PCS	11789	27026891	355337	152373995	283093	—	633044	1002779267	17175	36392006
	PCS	11664	25281558	299227	161735933	249014	—	548116	977168263	11789	27026891
Finished Leather	PCS	—	37742343	—	—	—	—	—	120678686	—	—
		—	—	—	48432958	—	—	—	19528498	—	37742343
Others		—	5462470	—	64723933	—	—	—	161780610	—	5194962
		—	7376732	—	89627797	—	—	—	162480586	—	5462470

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)****C. CONSUMPTION OF RAW MATERIAL**

Product	UNIT	Current Year		Previous Year	
		Qty	Value in (Rs.)	Qty	Value in (Rs.)
Leather	DCM	105,554,689	534,353,399	101,042,310	442,229,695
Consumables/Others		—	101,466,575	—	92,641,424
			635,819,974		534,871,119

D. CONSUMPTION OF IMPORTED & INDIGENOUS RAW MATERIAL

	%	Current Year Rs.	%	Previous Year Rs.
Indigenous	34	215,137,718	64	340,977,506
Imported	66	420,682,258	36	193,893,613
	100	635,819,976	100	534,871,119

E. VALUE OF IMPORTS ON CIF BASIS

	Current Year Rs.	Previous Year Rs.
Raw Material	375,575,995	212,156,867
Capital Goods	29,028,205	303,096
Purchase under Merchandise Trade	163,547,991	223,357,650

F. EXPENDITURE IN FOREIGN CURRENCY (on payment basis)

	Current Year Rs.	Previous Year Rs.
Agent Commission	32,050,923	10,924,515
Foreign Travelling	4,795,492	8,282,370
Overseas marketing consultancy/research	1,552,291	1,068,306
Others	2,250,419	504,257
interest on Import Bills	3,293,962	—
Administration ,selling and other expenses at Overseas Trading Offices(on accrual basis)	1,789,315	1,193,822

G. EARNING IN FOREIGN CURRENCY

	Current Year Rs.	Previous Year Rs.
FOB Value of Sales	942,044,470	808,824,072
Sales at Overseas Trading Office	—	369,819
Export Under merchandising Trade	215,482,789	299,060,503

H. AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND

	Current Year Rs.	Previous Year Rs.
a) Year to which the dividend relates	2006-07	2005-06
b) Number of non-resident shareholders to whom remittances were made	30	21
c) No of shares on which remittances were made.	166,955	183,434
d) Amount remitted in Rs.	250,432	275,151

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)****22. Following Non Trade Investment have been Purchased and Sold during the Year.****Equity Shares**

Particulars	Units	Rs.	Sold Qty.	Sale Cons
GMR Infrastructure Ltd.	535	199,300	535	505,498
Gujarat Industries Power Co Ltd.	1,737	253,673	1,737	177,696
Housing Development and Infrastructure Ltd.	343	253,909	343	403,504
Larsen & Toubro Ltd.	282	656,538	282	811,496
NELCO Ltd.	3,941	388,653	3,941	582,773
NIIT Ltd.	7,294	1,532,540	7,294	1,529,401
Prime Focus Ltd.	598	295,292	598	531,426
Reliance Capital Ltd.	77	50,643	77	89,201
Sobha Developers Ltd.	196	160,741	196	173,895
Sun Pharma Advanced Research Company Ltd.	791	17,269	791	121,294
Sun Pharmaceuticals Industries Ltd.	791	782,160	791	874,543
Tata Chemicals Ltd.	729	241,121	729	232,177
Tata Communications Ltd.	935	494,495	935	590,872
Zee Entertainment Ent. Ltd.	2,093	669,341	2,093	618,455
GMR Infrastructure Ltd.	682	173,959	682	151,535
Reliance Industries Ltd.	43	128,223	43	130,502
Reliance Liq Fund-TP IP- Growth	135,661	2,621,609	135,661	2,624,558
Utv Software Communications Ltd.	57	54,782	57	47,828
Voltamp Transformers Ltd.	69	125,484	69	116,162
Bank Of Baroda	272	87,070	272	114,873
Bank Of India	493	123,588	493	157,144
Bharti Airtel Ltd.	236	204,653	236	217,219
Dena Bank	414	28,017	414	36,113
Everest Kanto Cylinder Ltd.	370	193,748	370	195,237
Flat Products Equipments India Ltd.	254	77,929	254	96,975
ICICI Bank Ltd.	51	48,308	51	69,523
India Infoline.Com Ltd.	214	167,433	214	247,129
Kernex Microsystems (India) Ltd.	401	74,741	401	87,851
KPIT Cummins Infosystem Ltd.	295	41,332	295	38,216
Larsen and Toubro Ltd.	9	28,253	9	32,566
Maharashtra Seamless Ltd.	164	121,824	164	102,749
Meghmani Organics Ltd.	3,859	99,393	3,859	82,853
Niit Ltd.	10	1,256	10	1,244
Orbit Corporation Ltd.	260	63,331	260	160,899
Page Industries Ltd.	468	154,485	468	205,494
Panacea Biotec Ltd.	35	15,613	35	14,638
Patel Engineering Ltd.	126	56,465	126	108,089
Pyramid Saimira Theatre Ltd.	542	188,299	542	151,183
Raj Television Network Ltd.	349	83,447	349	115,712
Reliance Infrastructure Ltd.	83	131,975	83	194,119
Reliance Liq Fund-TP IP- Growth	355,524	6,702,006	355,524	6,720,100

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

Particulars	Units	Rs.	Sold Qty.	Sale Cons
Reliance Natural Resources Ltd.	451	93,716	451	108,153
Rolta India Ltd.	326	156,443	326	194,509
Television Eighteen India Ltd.	45	32,414	45	38,743
Titan Industries Ltd.	31	34,417	31	38,472
Union Bank Of India Ltd.	590	90,359	590	116,693
Voltamp Transformers Ltd.	62	40,833	62	93,519
Nifty	1,350	107,773	1,350	59,400
Axis Bank Ltd.	922	653,719	922	701,750
B.H.E.L	379	791,889	379	789,558
Ballarpur Ind. Ltd.	3,626	500,518	3,626	473,973
Cadila Healthcare Ltd.	909	297,500	909	270,785
Cummins India Ltd.	1,316	502,148	1,316	522,716
Jaiprakash Associates Ltd.	872	160,126	872	216,468
MIC Electronics Ltd.	384	150,039	384	278,352
Monnet Ispat Energy Ltd.	328	165,140	328	146,563
Punj Lloyd Ltd.	518	136,330	518	180,093
Sterlite Industries Ltd.	373	389,893	373	291,119
Tech Mahindra Ltd.	226	299,437	226	278,272
Welspun Gujrat Stahl Ltd.	2,143	477,398	2,143	706,479
ING Vysya Liq Fund-Wkly Div	92,386	1,000,000	92,386	1,004,510
ING Vysya Liquid Plus Fund-Reg Plan	49,745	500,000	49,745	502,485
Bajaj Auto Ltd.	185	412,434	185	452,530
Balaji Telefilms Ltd. FV2	250	41,080	250	57,115
BATA India Ltd.	3,108	559,565	3,108	428,102
Bharat Heavy Electricals Ltd.	110	-	110	205,527
Bharati Shipyard Ltd.	220	284,508	220	178,332
Bharti Airtel Ltd.	10	9,359	10	11,178
Exide Industries Ltd. Face Val Inr 1	353	16,235	353	22,999
Fulford India Ltd.	320	141,520	320	177,216
HDFC Bank	441	603,343	441	664,308
Hindustan Unilever Ltd.	2,195	426,234	2,195	446,041
Hindustan Zinc Ltd.	309	223,102	309	213,372
ICICI Bank Ltd.	507	593,146	507	619,179
Indiabulls Financial Services Ltd.	1,622	1,207,410	1,622	1,344,919
Infosys Technologies Ltd. FV 5	68	127,241	68	134,832
ISMT Ltd.	777	77,318	777	70,978
Jain Irrigation Systems Ltd.	563	256,593	563	267,817
Lakshmi Machine Works Ltd. FV INR 10	15	45,603	15	45,665
Mahanagar Telephone Nigam Ltd.	923	149,319	923	141,367
Maharashtra Seamless Ltd. FV 5	83	51,267	83	42,982
Mahindra & Mahindra Ltd.	96	74,048	96	73,101
Maruti Suzuki India Ltd.	683	541,286	683	648,357
Parsvnath Developers Ltd.	1,434	552,645	1,434	479,773

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

Particulars	Units	Rs.	Sold Qty.	Sale Cons
Radha Madhav Corp. Ltd.	749	58,497	749	42,917
Reliance Liq Fund Treas Plan Wkly Div	675,932	10,352,178	755,803	11,575,629
Satyam Computers Ltd. - FV 2	522	241,913	522	237,293
Shanthy Gears Ltd. - FV 1	1,120	80,909	1,120	80,510
SKF India Ltd.	2,076	755,103	2,076	637,083
Sterlite Industries India Ltd. FV INR 2	747	406,023	747	496,573
Tata Consultancy Services Ltd.	3	3,009	233	260,689
Tata Motors	646	504,635	646	498,722
Jaiprakash Associates Ltd.	675	310,616	675	257,290
Reliance Communications Ltd. FV - 5	783	586,389	783	640,563
Reliance Liq Fund Treas Plan Wkly Div	736,557	11,276,802	736,557	11,277,659
Reliance Treasury Plan Inst-Grow-Grow	11,370	221,036	11,370	221,237
Tata Steel Ltd.	694	625,584	694	552,133
Welspun Guj Stahl Rohren Ltd. FV INR 5	592	273,360	592	281,070
Jai Corp. Ltd.	14	16,220	14	19,910
Principal Cash Inst Plan (G)	407,526	7,049,267	407,526	7,064,572
Infosys Technologies Ltd.	250	481,129	250	411,910
Stride Arcolab	1,000	338,731	1,000	262,210
Principal Floating Rate Fund FMP	14,982,755	150,000,000	14,982,755	150,000,318

23 Previous year figures are shown in brackets and have been regrouped wherever necessary so as to make them comparable with current year figures.

24 Figures have been rounded off to the nearest rupee.
Schedule referred to above form an integral part of the Balance sheet

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepti Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' CONTD.

25. Information Pursuant to part IV to the schedule-VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

1 REGISTRATION DETAILS

Registration No.

2	6	6	0	7
---	---	---	---	---

Balance Sheet Date

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

 State Code

5	5
---	---

2 CAPITAL RAISED DURING THE YEAR (Amount in Rs.) | | | | | | | |---|---|---|---|---|---| | 5 | 8 | 5 | 0 | 0 | 0 | |---|---|---|---|---|---|

3 POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)

Total Liabilities

1	4	9	0	4	7	7
---	---	---	---	---	---	---

 Total Assets

1	4	9	0	4	7	7
---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid Up Capital

7	8	6	3	8
---	---	---	---	---

 Reserves and Surplus

9	2	2	9	1	0
---	---	---	---	---	---

Secured Loans

4	7	9	1	7	1
---	---	---	---	---	---

 Unsecured Loans

-	-	-	-	-	-
---	---	---	---	---	---

Net Deferred Tax Liability

0	9	7	5	8
---	---	---	---	---

 Advance Subscription

-	-	-	-	-
---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

1	6	6	2	3	8
---	---	---	---	---	---

 Investments

6	2	4	4	7	8
---	---	---	---	---	---

Net Current Assets

6	9	9	7	6	1
---	---	---	---	---	---

 Mis. Expenditure

-	-	-	-	-
---	---	---	---	---

4 PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover including other Income

1	4	1	3	7	3	1
---	---	---	---	---	---	---

Total Expenditure

1	3	0	3	9	1	2
---	---	---	---	---	---	---

Profit before Tax

		8	1	1	7	4
--	--	---	---	---	---	---

Profit after Tax

		6	2	1	8	8
--	--	---	---	---	---	---

Earning per Share

		7	-	9	1
--	--	---	---	---	---

Dividend Rate

				1	5	%
--	--	--	--	---	---	---

5 GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.

4	2	0	3	1	0
---	---	---	---	---	---

Product Description

L	E	A	T	H	E	R
---	---	---	---	---	---	---

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepti Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**FINANCIAL SUMMARY****(Rs. in lacs)**

PARTICULARS	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Equity Share Capital	583.88	583.88	583.88	583.88	583.88	583.88	583.88	627.88	727.88	786.38
Reserves & Surplus	2183.00	3159.17	4191.63	4796.53	5269.85	5698.28	5823.10	6530.18	8133.72	9229.10
Net Worth	2766.89	3743.05	4774.26	5380.41	5853.73	6282.16	6406.98	7158.06	8861.60	10015.48
Capital Employed	3128.31	5875.59	7238.83	7353.81	8087.30	8451.85	7410.92	12128.48	17040.80	14807.19
Gross Fixed Assets	362.86	765.59	1124.52	1172.20	1359.20	1438.65	1640.12	1732.49	1792.46	1858.32
Net Fixed Assets	292.62	670.35	988.03	993.46	1131.69	1150.80	1290.55	1311.05	1296.92	1285.33
Export Sales including Export Incentives	6543.87	8014.43	9629.16	8592.28	7327.41	7750.44	9453.66	9550.56	12272.54	13868.47
Other Income	0.24	9.47	26.77	48.12	118.29	29.93	44.62	43.58	214.64	268.84
Total Income	6625.62	8194.43	9649.94	8621.04	7464.87	7971.25	9498.28	9594.14	12487.19	14137.31
EBDIT	1042.10	1371.79	1542.53	1320.37	890.45	692.33	835.29	921.09	1032.38	1245.27
EBDIT to Turnover (%)	15.93	17.12	16.02	15.37	12.15	8.93	8.84	9.64	8.41	8.98
Depreciation	23.59	25.01	42.49	50.98	56.73	64.73	68.25	74.68	79.23	82.92
EBIT	1018.51	1346.78	1500.04	1269.39	833.72	627.60	767.04	846.41	953.15	1162.35
EBIT to Turnover (%)	15.56	16.80	15.58	14.77	11.38	8.10	8.11	8.86	7.76	8.38
Profit before Tax	830.91	1159.37	1238.14	1030.06	731.91	583.08	609.79	616.45	694.43	811.74
Provision for Tax	0.38	0.51	21.61	133.02	126.86	55.84	110.71	197.98	194.33	189.86
Profit after Tax	830.53	1158.86	1216.53	897.04	605.05	527.24	499.08	418.47	500.11	621.88
Equity Dividend (%)	25%	27%	27%	20%	20%	15%	15%	15%	15%	15%
EPS (Basic)Rs.	14.22	19.85	20.84	15.36	10.36	9.03	8.54	7.08	7.33	7.91
EPS(Diluted)Rs	14.22	19.85	20.84	15.36	10.36	9.03	8.54	6.90	7.17	7.91
DEBT to Equity (Times)	0.13	0.57	0.52	0.37	0.38	0.35	0.16	0.68	0.84	0.48
Book Value (Rs.)	47.38	64.10	81.76	92.15	100.26	107.59	109.73	114.00	121.75	127.40

BHARTIYA GLOBAL MARKETING LTD.

DIRECTORS' REPORT

The Directors submit the 12th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2007-2008	2006-2007
Sales	629.42	263.80
Share of Profit from firm	(0.05)	(0.05)
Other Income	27.54	27.54
Increase/Decrease in Stock	(5.60)	(1.74)
Total Income	105.45	289.54
Total Expenditure	139.21	318.39
Profit/ (Loss) before Tax	(33.75)	(28.85)
Provision for Tax	9.80	(6.98)
Profit/ (Loss) after Tax	(23.95)	(21.87)

REVIEW OF OPERATION

The Company achieved substantial growth in operations despite adverse business conditions. The sales turnover is Rs. 629.42 Lacs in the current year as against Rs. 263.80 Lacs in the previous year. The company continues to act as buying agents for World Fashion Trade Ltd., Hong Kong and expects revenues to grow in future period.

SUBSIDIARY COMPANY

The audited accounts of the Company's Wholly-Owned Subsidiary, M/s J & J Leather Enterprises Ltd., for the year ended 31st March, 2008 as well as the statement under Section 212 of the Companies Act, 1956, is annexed herewith.

DIRECTORS

Ms. Jaspal Sethi Director retires by rotation at the ensuing Annual General Meeting & being eligible offers herself for reappointment.

FIXED DEPOSITS

The company did not accept any fixed deposit during the year under review. No deposits were outstanding as on 31st March, 2008.

AUDITORS

The auditors of the Company, M/s Sushil Poddar & Co., Chartered Accountants hold office until the conclusion of this Annual General Meeting, and being eligible offer themselves for reappointment. They have furnished a certificate that their reappointment if made shall be within the statutory limits specified in Section 224(1B) of the Companies Act, 1956.

The auditors observation in the audit report have been explained by the company in details in note to the account which form part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

- (i) In the preparation of the accounts, the applicable accounting standards have been followed;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the profit of the Company for the year ended on that date;

BHARTIYA GLOBAL MARKETING LTD.

- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) They have prepared the annual accounts on a going concern basis.

SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with the provisions of Section 383A of the Companies Act, 1956, a certificate from M/s. R. S. Associates, Company Secretaries certifying that the company has complied with all the provisions of the Companies Act, 1956, is given in the annexure and forms part of this report.

PARTICULARS OF EMPLOYEES

The Company has no employee whose remuneration exceeds the specified limit. Therefore, there are no particulars to be furnished under Section 217(2A) of the Companies Act, 1956.

OTHER MATTERS

The information required as per section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1988 annexed hereto & forms part of this report.

ACKNOWLEDGEMENTS

Your directors wish to place on record their appreciation for the dedicated and sincere services rendered by the staff and officers of the company. Your Directors also thank the Bankers, Vendors and Clients for their continued and timely support.

For and on behalf of the Board

New Delhi, 28th June, 2008

Snehdeep Aggarwal
Director

Ramesh Bhatia
Director

ANNEXURE TO DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

(A) Conservation of Energy and Technology Absorption

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company as the company does not undertake any manufacturing activity.

(B) Foreign Exchange Earnings & Outgo

The information on foreign exchange earning and outgo are contained in the Notes to the Accounts .

For and on behalf of the Board

New Delhi, 28th June, 2008

Snehdeep Aggarwal
Director

Ramesh Bhatia
Director

BHARTIYA GLOBAL MARKETING LTD.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

		J & J Leather Enterprises Ltd.
A.	Financial year of the Subsidiary Company ended on	: 31-03-2008
B.	Holdings Company's Interest	
	Number of shares	: 125,000 Equity Shares of Rs. 100/- each
	Extent of holding	: 100%
C.	The net aggregate amount of the subsidiary's profits/ (Losses) so far as it concerns members of the Holding Company .	
(i)	Not dealt within the Holding Company's accounts	
	1. For the financial Year of the Subsidiary	: Rs. 651,953
	2. For the previous financial year of the Subsidiary since it become the Holding Company's Subsidiary ended on 31 st March, 2008	: Rs.3,148,514
(ii)	Dealt within the Holding Company 's accounts	
	1. For the financial Year of the Subsidiary	: -
	2. For the previous financial year of the Subsidiary since it become the Holding Company's Subsidiary	: -

For and on behalf of the Board

New Delhi, 28th June, 2008

Snehdeep Aggarwal
Director

Ramesh Bhatia
Director

COMPLIANCE CERTIFICATE

We have examined the registers, records, books and papers of Bhartiya Global Marketing Ltd. As required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents. We certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and rules made thereunder.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met 04 times on 28.06.2007, 30.07.2007, 30.10.2007, and 30.01.2008 in respect of which proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting of the financial year ended 31st March, 2006 was held on 26th September, 2007 after giving due notice to the members of the company and resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons of firms of companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries regarding disclosure of interest by the directors, in the register maintained under Section 301 of the Act.
11. The Company was not required to obtain any approvals of Board of Directors, Members or Central Government pursuant to the provisions of Section 314 wherever applicable.
12. The Company has not issued any duplicate share certificates during the year.
13. The Company has
 - (i) not allotted/ transfer/ transmission any of shares as there was no case in this regard during the financial year.
 - (ii) not deposited any amount in the separate Bank Account as no dividend was declared during the financial year.
 - (iii) company was not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - (iv) no unpaid/ unclaimed dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon for a period of seven years required to be transferred to Investor Education and Protection Fund.
 - (v) duly complied with the requirement of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole-Time Director/Manager during the year.
16. The Company has not appointed sole selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, CLB, RD, Registrar and/ or such authorities prescribed under the various provisions of the Act during the financial year.

BHARTIYA GLOBAL MARKETING LTD.

18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and rules made there under.
19. The Company has not issued any shares/ debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/ accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate during the year and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered provisions of memorandum with respect to situation of Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to Share Capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or Show Cause Notice received by the Company, during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not created any trust under section 418, however company has been depositing both employee's and employer's contribution to provident fund with prescribed authorities regularly.

R S M & Co.

Company Secretaries

(RAVI SHARMA)

Partner (C. P. No. – 3666)

New Delhi, 28th June, 2008

BHARTIYA GLOBAL MARKETING LTD.

ANNEXURE – A

Registers as maintained by the Company

1. Register of Investment not held in its own name u/s 49(7).
2. Register of Members u/s 150.
3. Register of Particulars of contract in which directors are interest u/s 301.
4. Register of Directors u/s 303.
5. Register of Directors' Share Holding u/s 307.
6. Minutes of all meetings of Board of Directors and Members.
7. Register of Charges u/s 125.

ANNEXURE – B

Forms and Returns as filed by the company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31st March, 2008.

Forms/ Returns	Under Section	For
Form 20 B (Annual Return)	159	the AGM held on 26.09.2007 filed on Dt.23.11.2007
Form 23AC (Annual Report)	220	the financial year 2006-07 filed on Dt.26.12.2007
Form 66(Compliance Certificate)	383A	the financial year 2006-07 filed on Dt. 28.12.2007

R S M & Co.

Company Secretaries

(RAVI SHARMA)

Partner (C. P. No. – 3666)

New Delhi, 28th June, 2008

BHARTIYA GLOBAL MARKETING LTD.

AUDITORS' REPORT

To
The Members of
Bhartiya Global Marketing Ltd.

1. We have audited the attached Balance Sheet of **M/s Bhartiya Global Marketing Ltd.** as on 31st March, 2008, and the Profit and Loss Account for the year ended on that date attached thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 mis-statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of these books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Companies Act, 1956.
 - e) Based on the representations made by all the Directors of the Company as on 31st March, 2008 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima facie, have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account and read together with significant accounting policies and other notes to the accounts in Schedule 16 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2008.
 - ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For **Sushil Poddar & Co.**
Chartered Accountants

S. K. Poddar
Prop.
M. No: 94479
New Delhi, 28th June, 2008

ANNEXURE TO THE AUDITORS' REPORT

- i. (a) In our opinion, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, no fixed assets has been disposed off during the year.
- ii. (a) As explained to us, physical verification of inventory has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (iii) (a) The Company has taken an interest free unsecured loans from its holding Company M/s Bhartiya International Limited for Rs 33,750,000/- It has also given an interest free unsecured loan to its wholly owned subsidiary for Rs 33,750,000/-.
- (b) As per the information & explanation given to us by the management and in view of the long term involvement with the above companies, we are of the opinion that the terms & conditions of the above loans are prima facie not prejudicial to the interest of the company.
- (c) There are no stipulation as to the repayment of the principal amount of the above interest free loans.
- (d) In view of our observation in sub clause (c) above there are no overdue amounts more than Rs 1 Lakh.
- (iv) In our opinion and according to the information and explanation 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 purchase of inventory and fixed assets and for the sale of goods.
- (v) (a) According to the information and explanations given to us, during the year under review the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance to contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information given to us, the company has not accepted any deposit to which provisions of Section 58A of the Companies Act, 1956 are applicable. The Company has also not accepted any deposits from small depositors as defined in Section 58AA of the Companies Act, 1956 and hence the provisions of the said Section are not applicable to the Company. According to the information and explanations given to us, no order has been passed by the Company Law Board on the company under the aforesaid sections.
- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) Maintenance of cost accounts under section 209(1)(d) of the Companies Act, 1956, has not been prescribed by the Central Government for the Company.
- (ix) (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it.

BHARTIYA GLOBAL MARKETING LTD.

- (b) According to the information and explanations given to us , no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, and cess were in arrears, as at 31st March 2008 for a period of more than six months from the date they became payable and also that there is no dispute pending before any forum in respect of the above taxes.
- (x) According to the records of the Company, the accumulated losses of the Company at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses of Rs 3,001,147/- during the current financial year and Rs 2,513,671/- immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- (xii) During the year, 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 neither a chit fund nor nidhi/mutual benefit fund/ society and hence provisions of paragraph 4 (xiii) of the Companies (Auditor's Report) order 2003 is not applicable to the Company.
- (xiv) According to the information and explanations given by the management, the Company is not dealing in or trading in shares, securities, debentures and other investments .
- (xv) Based on our examination of the records, we are of the opinion that the Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) As per the records of the Company, it has not taken any term loans and hence the reporting provisions of this clause is not applicable.
- (xvii) 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 investments and no long terms funds have been used to finance short term investments.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 Companies Act, 1956.
- (xix) During the year the Company has not issued any debentures and as such creation of security is not applicable.
- (xx) During the year under review, no money was raised by public issue and as such disclosure of end use of money raised is not applicable.
- (xxi) Based upon the audit procedure performed and information and explanation given by the management we report that during the year no fraud on or by the company has been noticed or reported by the management.

For **Sushil Poddar & Co.**
Chartered Accountants

S. K. Poddar
Prop.
M. No.:94479
New Delhi, 28th June, 2008

BHARTIYA GLOBAL MARKETING LTD.**BALANCE SHEET AS AT 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	9,990,200	9,990,200
Loan Funds			
Secured Loan	2	–	83,524
		33,750,000	33,750,000
		43,740,200	43,823,724
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	5,029,240	5,029,240
Less: Depreciation		2,834,844	2,460,541
Net Block		2,194,396	2,568,699
Investments			
	4	15,075,000	15,075,000
Current Assets, Loans & Advances			
Inventories	5	1,849,841	2,410,270
Sundry Debtors	6	17,143,535	19,351,011
Cash & Bank Balances	7	1,761,413	1,732,005
Loans & Advances	8	36,790,280	37,300,508
		57,545,069	60,793,794
Less: Current Liabilities & Provisions			
Current Liabilities	9	40,256,705	39,521,258
Provisions		69,074	899,500
Net Current Assets		40,325,779	40,420,758
Deferred Tax Assets(Net)		3,087,593	2,038,187
Profit & loss A/c		6,163,921	3,768,802
		43,740,200	43,823,724

Notes on accounts and Significant Accounting Policies 16
Schedule referred to above form an integral part of the Balance sheet

As per our report of even date attached for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No. 94479

Snehdeep Aggarwal
Director

Ramesh Bhatia
Director

New Delhi, 28th June, 2008

BHARTIYA GLOBAL MARKETING LTD.**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
INCOME			
Export sales		6,294,190	26,380,123
Local Sales		2,062,500	–
Share of Profit From Firm		(5,628)	(5,850)
Other Income	10	2,754,822	2,754,204
Increase /(Decrease) in stock	11	(560,429)	(174,450)
		10,545,455	28,954,027
EXPENDITURE			
Raw Material Consumed	12	–	–
Purchases For Resale		6,646,407	20,338,271
Personnel Expenses	13	4,958,304	6,076,197
Administrative & Selling Expenses	14	1,322,624	4,717,714
Financial Expenses	15	619,267	335,516
Depreciation		374,304	371,656
		13,920,906	31,839,354
Profit /(Loss) before Taxes		(3,375,451)	(2,885,327)
Provision for Taxes			
– Taxes (Earlier year)		–	(68,960)
– Fringe Benefits Tax		(69,074)	(207,000)
– Deferred Tax		1,049,406	973,628
Profit after Taxes		(2,395,119)	(2,187,659)
Balance brought Forward		(3,768,802)	(1,581,143)
Balance carried over to Balance Sheet		(6,163,921)	(3,768,802)
Basic/Diluted Earnings Per Share(Rs.)		(2.40)	(2.19)

Notes on accounts and Significant Accounting Policies 16
Schedule referred to above form an integral part of the Balance sheet

As per our report of even date attached for **SUSHIL PODDAR & CO.**
Chartered Accountants

S.K.Poddar
Prop.
M.No. 94479

New Delhi, 28th June, 2008

For and on behalf of the Board

Snehdeep Aggarwal
Director

Ramesh Bhatia
Director

BHARTIYA GLOBAL MARKETING LTD.

SCHEDULES' FORMING PART OF THE ACCOUNTS

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised 1,000,000 (Previous year 1,000,000) Equity shares of Rs. 10/- each	<u>10,000,000</u>	<u>10,000,000</u>
Issued, Subscribed and paid up 999,020 (Previous year 999,020) Equity Shares of Rs.10/-,each fully paid up	<u>9,990,200</u>	<u>9,990,200</u>
	<u>9,990,200</u>	<u>9,990,200</u>
SCHEDULE 2 :		
(A) SECURED LOAN		
Car Loan from ICICI Bank (secured against hypothecation of vehicles)	—	83,524
	—	<u>83,524</u>
(B) UNSECURED LOAN		
Loan from M/s Bhartiya International Ltd -Holding Company	<u>33,750,000</u>	<u>33,750,000</u>
	<u>33,750,000</u>	<u>33,750,000</u>

SCHEDULE 3 : FIXED ASSETS

PARTI- CULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	ORIGINAL COST	ADDITIONS DURING THE YEAR	SALE DURING THE YEAR	AS ON 31.3.2008	UP TO 31.3.2007	FOR THE YEAR	SALE ADJUST- MENTS	UP TO 31.3.2008	UP TO 31.3.2008	AS AT 31.3.2007
Land	492,800	—	—	492,800	—	—	—	—	492,800	492,800
Vehicles	1,686,455	—	—	1,686,455	997,645	160,213	—	1,157,859	528,596	688,810
Computer Office	952,186	—	—	952,186	591,077	98,467	—	689,544	262,642	361,109
Equipments	285,274	—	—	285,274	61,220	13,551	—	74,771	210,503	224,054
Furniture & Fixture	1,612,525	—	—	1,612,525	810,598	102,073	—	912,670	699,855	801,927
Total	5,029,240	—	—	5,029,240	2,460,540	374,304	—	2,834,844	2,194,396	2,568,700
Previous Year	4,913,644	397,884	282,288	5,029,240	2,238,913	371,657	150,029	2,460,541	2,568,699	2,674,731

SCHEDULE 4 : INVESTMENT

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
UNQUOTED - TRADE		
a) Equity Shares		
Investment in Subsidiary company 125,000 (Previous Year 125000)equity shares of Rs.100/- each of J & J Leather Enterprises Ltd	<u>15,025,000</u>	<u>15,025,000</u>
b) Partnership		
Capital in Firm Bhartiya Prakash Leathers	<u>50,000</u>	<u>50,000</u>
	<u>15,075,000</u>	<u>15,075,000</u>

BHARTIYA GLOBAL MARKETING LTD.

SCHEDULES' (CONTD.)

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 5 : INVENTORY		
(as taken, valued and certified by management)		
Finished Goods	1,125,708	1,686,137
Leather	724,133	724,133
	<u>1,849,841</u>	<u>2,410,270</u>
SCHEDULE 6 : SUNDRY DEBTORS		
(unsecured , considered good)		
— more than six months	12,824,990	10,416,761
— others	4,318,545	8,934,250
	<u>17,143,535</u>	<u>19,351,011</u>
SCHEDULE 7 : CASH & BANK BALANCES		
Cash in hand	176,755	147,363
Balances with scheduled bank:Current A/c	1,584,658	1,584,642
	<u>1,761,413</u>	<u>1,732,005</u>
SCHEDULE 8 : LOANS & ADVANCES		
Advances recoverable in cash or in Kind	1,525,501	1,547,371
Current A/c Balance in Bhartiya Prakash Leather - Partnership Firm	632,267	637,895
Security Deposits	59,057	59,057
AdvanceTax/TDS	306,970	970,322
Advances to Staff	507,393	314,058
Loans To Subsidiary-J&J Leather Ent Ltd.	33,750,000	33,750,000
Prepaid Expenses	9,092	21,805
	<u>36,790,280</u>	<u>37,300,508</u>
SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors for Purchases/ Expenses		
– Total outstanding dues of Small Scale Industrial undertakings		
– Total Outstanding dues of Creditors other than Small Scale Industrial Undertakings	6,233,796	8,591,552
Other Liabilities	1,143,832	1,478,437
Holding Co.-Bhartiya International Ltd.	32,879,077	29,451,269
	<u>40,256,705</u>	<u>39,521,258</u>
B. Provisions		
Income Tax	69,074	899,500
	<u>69,074</u>	<u>899,500</u>
SCHEDULE 10 : OTHER INCOME		
Overseas Service Charges	895,037	2,320,293
Other Income	550,000	207,368
Export Incentive	–	(7,209)
Sampling Charges	616,502	233,752
Short & Excess	693,283	–
	<u>2,754,822</u>	<u>2,754,204</u>

BHARTIYA GLOBAL MARKETING LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 11 : INCREASE IN STOCK		
Opening Stock	1,686,137	1,860,587
Closing Stock	1,125,708	1,686,137
Increase / (Decrease) in stock	<u>(560,429)</u>	<u>(174,450)</u>
SCHEDULE 12 : RAW MATERIAL CONSUMED		
Opening Stock	724,133	724,133
Add :Purchase during the year	-	-
	<u>724,133</u>	<u>724,133</u>
Less : Transfer to Purchase for resale	-	-
Less : Closing Stock	<u>724,133</u>	<u>724,133</u>
Raw Material Consumption	<u>-</u>	<u>-</u>
SCHEDULE 13 : PERSONNEL EXPENSES		
Salary, Allowances and Bonus	4,447,493	5,263,738
Staff Welfare	180,081	225,749
Staff Recruitment/Training Expenses	-	62,623
Contribution to PF and Other Funds	330,730	524,087
	<u>4,958,304</u>	<u>6,076,197</u>
SCHEDULE 14 : ADMINISTRATION & SELLING EXPENSES		
Printing & Stationery	44,853	106,695
Business Promotion	110,010	273,917
Travelling & Conveyance	554,548	2,581,591
Freight on Exports	-	176,666
Legal & Professional	47,158	179,803
Miscellaneous Expenses	35,896	178,761
Electricity Charges	107,950	104,920
Insurance	45,537	70,168
Auditors Remuneration	45,000	45,000
Sampling Expenses	93,449	329,866
Repair & Maintenance -Others	9,700	48,877
Office Maintenance	-	550
Rates & Taxes	5,562	12,630
Loss on Sale of Fixed Assets	-	92,259
Telephone	111,191	204,510
Fees & Subscription	11,962	22,069
Postage & courier	13,073	289,432
Bad debts	86,735	-
	<u>1,322,624</u>	<u>4,717,714</u>
SCHEDULE -15 FINANCIAL EXPENSES		
Bank charges	20,970	31,696
Foreign Exchange Fluctuation	595,421	292,316
Interest on car loan	2,876	11,504
	<u>619,267</u>	<u>335,516</u>

SCHEDULES' (CONTD.)

SCHEDULE 16 : NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

a) System of Accounting :

The financial statements are prepared on accrual basis under the historical cost convention in accordance with the requirement of the Companies Act ,1956.

b) Fixed Assets :

Fixed Assets are stated at cost of acquisition inclusive of duties, taxes and incidental expenses related to acquisition. Interest on borrowings and other financing costs during the period of construction/ acquisition are added to the cost of Fixed Assets.

c) Depreciation :

Depreciation is calculated on fixed assets on straight line method in accordance with the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

d) Inventories :

- Raw materials have been valued at cost . Cost is determined on FIFO basis.
- Finished Goods are valued at lower of cost or net realisable value. Cost is determined as per the absorption costing method.

e) Retirement Benefits :

The employer's contribution to the employees provident fund is charged to the profit and loss account during the year.

Insurance Policy taken .Gratuity liability is provided for on all eligible employees during the year on accrual basis. Provision is made for value of unutilised leave due to employees at the end of year on accrual basis.

f) Investment :

- (i) Investment in subsidiary is valued at cost. Provision is made for any diminution in value considered permanent.
- (ii) Investment representing the capital invested in a partnership firm is valued at cost.

g) Foreign Currency Transactions :

Earning and Expenditure in Foreign Currency are accounted for at the actual exchange rate prevailing on the date of transaction and monetary items denominated in foreign currency outstanding at the year end are translated at the year end rates. Gain / loss in conversion is charged to Profit & Loss Account.

h) Taxation :

Provision for Tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent periods.

i) Miscellaneous Expenses :

Deferred Revenue Expenses incurred by the company on acquiring marketing and sourcing strengths are amortised over a period of 5 years, Preliminary Expenses are being amortised over a period of 10 years.

j) Impairment of Assets :

Where there is a indication that an asset is impaired, the recoverable amount, if any, is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

k) Provisions Contingent Liabilities and Contingent Assets :

In accordance with Accounting Standard -29 (Provisions, Contingent Liabilities and Contingent Assets), issued by the institute of Chartered Accountants of India, provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company.

2. Contingent Liabilities - Nil

3. The Company is a subsidiary of Bhartiya International Ltd.by virtue of Section 4 (1) (b) of the Companies Act, 1956.

BHARTIYA GLOBAL MARKETING LTD.

SCHEDULES' (CONTD.)

4. The export sales undertaken by the Company comprise domestic merchandising export and overseas trading and the incentives under the EXIM Policy have been generally passed to the supporting manufacturers / Vendors.
5. The Company is a partner in Bhartiya Prakash Leather and has 60% share in profit/Loss and accordingly the share of profit as per the audited balance sheet of M/s Bhartiya Prakash Leather as at 31.3.2008 has been taken in the books of accounts of the company. The details of the partners and their profit sharing ratio is as under.

M/s Prakash Overseas	40%
M/s Bhartiya Global Marketing Limited	60%

6. Investment, include 600 equity shares of the value of Rs.72,120/- in M/s J & J Leather Enterprises Ltd. held in the name of two nominees of the Company.
7. a) As per the information available with the Management there are no outstanding dues of small scale industrial undertaking for more than 30 days as at the balance sheet date current year Rs. Nil (Previous Year Nil)
 b) The Company has not received any Memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act ,2006) claiming their status as micro, small or medium enterprises. Consequently the amount paid / payable to these parties during the year is nil
8. Registration formalities in respect of land situated at Chennai for Rs. 492,800/-is pending.
 No provision for Income Tax/Mat as per the provisions of the Income Tax Act ,1961 is required to be made in view of loss during the year . Adequate provision in respect of Fringe Benefit Tax has been made.
9. a) In compliance with the Accounting Standard on "Taxation on Income" (AS-22) issued by Institute of Chartered Accountants of India., the break-up of
 b) Net deferred tax assets as on 31.3.2008 and the deferred tax liability for the year is provided below :

Particulars	1.4.2007	for the year	31.3.2008
Depreciation	131,888	(39,047)	92,841
Carried Forward Losses	(2,170,075)	(1,220,687)	(3,390,762)
Net Deferred Tax Asset	(2,038,187)	(1,259,734)	(3,297,921)

Deferred Tax Liability/ (Deferred Tax Asset)

The Company has considered the brought forward accumulated losses as deferred tax asset as there is a reasonable certainty of realisation of profits in future.

10. Sundry Debtors, Loans & Advances include amounts due from / to Subsidiary Companies and Companies under the same management as under:

	As at 31.3.2008 Rs.	As at 31.3.2007 Rs.
Sundry Debtors-World Fashion Trade Ltd.	5,655,330	5,170,373
Loans- J & J Leather Enterprises Ltd.	33,750,000	33,750,000
Advances - Bhartiya Prakash Leather	637,895	637,895
Sundry Creditor -Ultima Italia	2,534,800	2,338,400

11. Earnings Per Share (E.PS)

The basic /diluted earnings per share calculated as per the Accounting Standard -20 issued by the Institute Of Chartered Accountants of India is as below.

	Current Year Rs.	Previous Year Rs.
a) Net Profit/(Net Loss) after tax available for Equity Shareholders	(2,395,119)	(2,187,659)
b) Weighted Average no of equity shares outstanding during the year	999,020	999,020
c) Basic/Diluted earnings per share Rs.(a/b)	(2.40)	(2.19)
12. Auditor's Remuneration		
Audit Fees	25,000	25,000
Tax & Consultancy	20,000	20,000

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13. Debit and Credit balances of parties are subject to their confirmation.
14. Quantitative Details pursuant to the provision of paragraph 3, 4 C & 4 D of part-II of Schedule VI of the Companies Act, 1956

a) Production / Purchase, Turnover & Stocks

Product (Retail Trade)	Unit	Opening Stock		Purchase		Production		Sales/Samples		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Garments	Pcs	872	1,105,337	16,518	5,199,511	-	-	16,818	6,579,190	572	543,400
Shawls	Pcs	(872)	(1,149,137)	(80,480)	(19,828,119)			(80,480)	(26,235,945)	(872)	(1,105,337)
	Pcs	-	-								
Others	Pcs	-	-	(500)	(65,500)	-	-	(500)	(99,473)	-	-
	Pcs	3,195	580,600	-	-	-	-	-	-	3,195	580,600
Leather	Pcs	(3,195)	(711,450)	(237)	(29,895)	-	-	(237)	(44,705)	(3,195)	(580,600)
	DCM	-	-	322,808	1,446,896	-	-	322,313	1,777,500	495	1,708
	DCM	-	-	-	-	-	-	-	-	-	-

b) Value of Import on CIF basis

Purchase Under Merchandising Trade Rs. 4,949,674/- (Previous Year Rs.19,828,119/-)

c) Earning in Foreign Currency

- Direct Export (FOB value Rs. NIL (Previous Year Rs.-144,178/-)
- Exports under Merchandising Trade Rs.6,294,190 /-(Previous Year Rs.- 26,235,945/-)
- Sampling Charges Rs -616,503/- (Previous Year 233,752/-)
- Commission - 895,037/- Rs - (Previous Year 598,893/-)

d) Expenditure in Foreign Currency —Foreign Travelling Rs.344,133/-(Previous Year Rs.1,465,366/-)

- Inspection charges Nil (Previous year Nil)
- Designing charges Nil (Previous year Nil)
- Business Promotion Nil (Previous Year Nil)
- Sampling Charges Rs. 4,410/- (Previous Year Nil)

15. Figures has been rounded off to the nearest rupee.

16. Previous years figure have been re-grouped wherever necessary.

As per our report of even date attached
for **SUSHIL PODDAR & CO.**

Chartered Accountants

For and on behalf of the Board

S.K.Poddar

Prop.

M.No. 94479

New Delhi, 28th June, 2008

Snehdeep Aggarwal

Director

Ramesh Bhatia

Director

BHARTIYA GLOBAL MARKETING LTD.

Information pursuant to part IV to the schedule -VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

1 REGISTRATION DETAILS

Registration No.
Balance Sheet Date State Code

2 CAPITAL RAISED DURING THE YEAR -

3 POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid Up Capital Reserves and Surplus
Secured Loans Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets Investments
Net Current Assets Mis. Expenditure
Net Deferred Tax Asset Profit & Loss Account

4 PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover including other income
Total expenditure
Profit/(-)Loss Before Tax
Profit/(-)Loss After Tax
Earning Per Share
Dividend Rate

5 GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.
Product Description

As per our report of even date attached
for **SUSHIL PODDAR & CO.**

Chartered Accountants

S.K.Poddar

Prop.

M.No. 94479

New Delhi, 28th June, 2008

For and on behalf of the Board

Snehdeep Aggarwal

Director

Ramesh Bhatia

Director

J & J LEATHER ENTERPRISES LTD.

DIRECTORS' REPORT

Dear Members,

The Board of Directors of your Company hereby present the Annual Report of the Company together with the Audited Balance Sheet of the Company for the year ended 31st March, 2008, the Profit and Loss Account for the year ended on that date and the Auditors' Report thereon.

FINANCIAL RESULTS:

PARTICULARS	(Rs. in Lacs)	
	2007-2008	2006-2007
INCOME	533.35	996.67
EXPENDITURE	456.84	922.25
PROFIT BEFORE TAX	38.75	32.48

DIRECTORS

Dr.S.Chandra and Mr. C. L. Handa, Directors of the Company retires by rotation at the ensuing Annual General Meeting and being eligible themselves for reappointment

DEPOSITS

Your Company has not accepted deposits falling within the purview of Section 58A of the Companies Act, 1956.

AUDITORS

M/s. Padmanabhan, Ramani & Ramanijam, Chartered Accountants, Chennai retire at the conclusion of the Annual General Meeting. They are eligible for re-appointment. You are requested to appoint the Auditors and fix their remuneration.

COMPLIANCE CERTIFICATE

A copy of the Secretarial Compliance Certificate received from Mrs. B. Chitra for the financial year ended 31st March, 2008 is annexed herewith for circulation to the Members.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. That in the preparation of the annual accounts, the applicable Accounting Standards had been followed.
2. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the annual accounts on a going concern basis

PARTICULARS OF EMPLOYEES

The Company has not employed any person falling under Section 217(2A) of the Companies Act, 1956 during the period.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

The particulars as prescribed under Sub section (1) (e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules and particulars relating to the conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are set out in the Annexure.

ACKNOWLEDGEMENTS

The Directors also wish to thank the shareholders who have supported the Company during this period. Our Directors look forward to receiving continued support from them. The Directors also wish to thank th employees of the Company for their dedicated performance and also place on record their commitments to the Company and Combined efforts to turn around the Company.

For and on behalf of the Board

A.P.S. Narag
Director

Manoj Khattar
Director

Chennai, 27th June, 2008

J & J LEATHER ENTERPRISES LTD.

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE – A

Statement containing particulars pursuant to Section 217(1) (e) – Read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended 31st March 2008.

1. CONSERVATION OF ENERGY

Not applicable to the company due to the nature of business.

2. TECHNOLOGY ABSORPTION

Not applicable.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings	Nil
Outgo	Nil

For and on behalf of the Board

A.P.S. Narag
Director

Manoj Khattar
Director

Chennai, 27th June, 2008

J & J LEATHER ENTERPRISES LTD.

COMPLIANCE CERTIFICATE

To
THE MEMBERS
J & J LEATHER ENTERPRISES LTD.
CHENNAI

I have examined the registers, records, books and papers of **M/s. J & J Leather Enterprises Ltd.** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained registers as stated in Annexure 'A' to this Certificate, as per the provisions and the rules made thereunder and entries therein have been recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies under the Act and the rules made there under.
3. The Company being Public Limited Company has the minimum prescribed paid up capital.
4. The Board of Directors met Six (6) times on 05.04.2007, 27.06.2007, 28.09.2007, 10.10.2007, 15.10.2007 and 03.03.2008 in respect of which Meetings notices were given and the proceedings were recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not opted to close its Register of Members during the financial year under review.
6. The Annual General Meeting for the financial year ended on 31.03.2007 was held on 25.09.2007 and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year ended 31.03.2008.
8. As per the information provided by the Management, the Company had not advanced any loan to its directors and / or persons or firms or Companies referred in Section 295 of the Act during the financial year under review.
9. As per the information provided by the Management, the Company had not entered into any arrangements / contracts falling within the purview of Section 297 of the Act during the financial year under review.
10. The Company made necessary entries in the register maintained under Section 301 of the Act.
11. As per the information provided by the Management, there were no instances falling within the purview of Section 314 of the Companies Act, 1956 and the Company was not required to obtain any approval from the Board of Directors, Members, Central Government during the Financial year under review.
12. The Board of Directors has not issued any duplicate Share Certificates during the financial year under review.
13. (i) There were no transfer, transmission and allotment of Shares / securities during the financial year.
(ii) Not declared any dividend or interim dividend
(iii) There is no unpaid dividend to be transferred to Investor Education and Protection Fund.
(iv) Generally complied with the requirements of Section 217 of the Act, with regard to the above.
14. The Board of Directors of the Company is duly constituted and there were no appointment of directors, appointment of additional directors, alternate directors and Directors to fill casual vacancy during the financial year.
15. The Company has not appointed Whole-time Director/ Managing Director / Manager during the financial year.
16. The Company has not appointed sole-selling agents during the Financial Year.
17. As per the information provided by the Management the Company was not required to obtain any approval of the Registrar of Companies, Central Government, Company Law Board, Regional Director or such other authorities as may be prescribed under the various provisions of the Act.

J & J LEATHER ENTERPRISES LTD.

18. The directors have disclosed their interest in other firms / Companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued shares during the financial year under review.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference Shares or Debentures during the Financial Year.
22. There were no transaction necessitating the Company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. As per the information provided by the Management, the Company has not accepted unsecured loan falling within the purview of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
24. The amount borrowed by the Company during the financial year are within the borrowing limits of the Company.
25. The Company has not made loans and investments, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. As per the information provided by the Management, there were no prosecution initiated against or show cause notices received by the Company during the financial year.
32. As per the information provided by the Management, the Company has not received any money as security from its employees during the year under certification.
33. As per the information provided by the Management, the Company has not constituted separate Provident Fund for its employees and as such, Section 418 of the Act, is not applicable to the Company.

Chennai, 27th June, 2008

J & J LEATHER ENTERPRISES LTD.

ANNEXURE - A

1. Minutes of Board Meetings & General Meetings
2. Register of Members
3. Register of Directors
4. Register of Directors Shareholding
5. Directors Attendance Register
6. Members Attendance Register
7. Register of particulars in which Directors are interested.
8. Register of Charges.

ANNEXURE - B

Forms and Returns as filed by the Company with the Registrar of Companies during the Financial Year ended 31st March, 2008.

1. Form No. 20B
2. Form No. 23AC and 23ACA
3. Form No. 66
4. Form No.8

B. Chitra

Parc. Company Secretary
C.P No. - 2928
Chennai, 27th June, 2008

J & J LEATHER ENTERPRISES LTD.

AUDITORS' REPORT

We have audited the attached Balance Sheet of J&J LEATHER ENTERPRISES LIMITED as at 31st March 2008 and the Profit and Loss Account for the year ended on that date annexed thereto. Here 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (1) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the annexure a statement on the matters specified in the said order
- (2) Further to the comments in the annexure referred to in paragraph (1) above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit:
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
 - (c) The Balance sheet and Profit and Loss Account referred to in this report are in agreement with the Books of account.
 - (d) In our opinion the profit and loss account and Balance sheet comply with the accounting standard wherever applicable as referred to in sub section 3C of Section 211.
 - (e) On the basis of written representations received from the directors as on March 31, 2008 and taken on record by the Board, we report that none of the directors are disqualified as on March 31, 2008 from being appointed as director in terms of Sec. 274(1) (g) of the Companies Act, 1956.
 - (f) In our opinion and the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view: -
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008 and
 - (ii) In the case of the Profit and Loss Account of the PROFIT of the company for the year Ended on that date.

For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

(N. Ramani)

Partner

M. No. 22438

Chennai, 27th June, 2008

**ANNEXURE TO AUDITOR'S REPORT REFERRED TO IN
PARAGRAPH (1) OF OUR REPORT**

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off substantial part of fixed assets so as to affect the going concern status of the company.
- (ii) (a) Physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) In our opinion, the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) (a) The company has not granted any loan secured or unsecured loan to companies, firms or other parties in the register maintained under section 301 of the Act.
- (b) The company has not taken any loan secured or unsecured loan from companies, firms or other parties in the register maintained under section 301 of the Act.
- (iv) In our opinion, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses internal control;
 - (a) According to information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered into the register required to be maintained under that Section.
 - (b) In our opinion and according to information and explanations given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- (v) In our opinion and according to information and explanations given to us, the company has not accepted deposits from the public.
- (vi) In our opinion and according to information and explanations given to us, the company has an internal audit system commensurate with its size and nature of its business;
- (vii) Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- (viii) (a) The company is regular in depositing undisputed statutory dues wherever applicable including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth Tax, Service tax Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities.
- (b) There are no disputed sales tax/income tax/custom tax/wealth tax/service tax/excise duty/cess.
- (ix) In our opinion and according to information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (x) During the year the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) In our opinion, the company is not chit fund or a nidhi / mutual benefit fund / society. As such provisions of clause 4 (xiii) of the said order are not applicable to the company.
- (xii) In our opinion and according to information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.

J & J LEATHER ENTERPRISES LTD.

- (xiii) In our opinion and according to information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions,
- (xiv) In our opinion, term loans were applied for the purpose for which the loans were obtained;
- (xv) In our opinion and according to information and explanations given to us and overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long time investment.
- (xvi) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and if so whether the price at which shares have been issued is prejudicial to the interest of the company
- (xvii) During the year, the company has not issued any debentures and as such provisions of clause 4(xix) of the said order are not applicable to the company.
- (xviii) During the year there has been no public issue and as such provisions of clause 4(xx) of the said order are not applicable to the company.
- (xix) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

(N. Ramani)

Partner

M. No. 22438

Chennai, 27th June, 2008

J & J LEATHER ENTERPRISES LTD.**BALANCE SHEET AS AT 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SHAREHOLDERS FUNDS:			
Share Capital	1	12,500,000	12,500,000
Reserve & Surplus	2	9,274,911	8,622,958
Loan Funds :			
Secured Loans	3	19,000,000	—
Unsecured Loans	4	33,750,000	33,750,000
Deferred Tax Liability (Net)		2,251,528	2,419,628
		<u>76,776,439</u>	<u>57,292,586</u>
APPLICATION OF FUNDS:			
FIXED ASSETS:			
Gross Block	5	61,637,310	62,495,696
Less Depreciation		35,706,570	32,740,319
Net Block		<u>25,930,740</u>	<u>29,755,377</u>
Add : Capital Work In Progress		25,859,638	51,790,378
		<u>51,790,378</u>	<u>420,714</u>
			30,176,091
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	3,640,383	9,352,833
Sundry Debtors	7	13,520,105	17,435,520
Cash & Bank Balance	8	5,558,173	2,703,450
Loans & Advances	9	11,151,757	5,375,274
		<u>33,870,418</u>	<u>34,867,077</u>
LESS: CURRENT LIABILITIES			
Current liabilities	10	7,172,357	6,703,020
Provisions		1,712,000	1,047,562
Net Current Assets		<u>24,986,061</u>	<u>27,116,495</u>
		<u>76,776,439</u>	<u>57,292,586</u>
Notes on accounts and significant Accounting Policies	15		
Schedule referred to above form an integral part of the Balance Sheet			

As per our report of even date annexed
For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

N. Ramani
Partner
M.No. 22438
Chennai, 27th June, 2008

For and on behalf of the Board

A.P.S. Narag
Director

Manoj Khattar
Director

J & J LEATHER ENTERPRISES LTD.**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
INCOME			
Sale		10,150,157	45,808,909
Job work Charged Received		41,835,655	53,760,522
Other Income		1,349,387	97,398
		53,335,199	99,666,829
EXPENDITURE			
Material Cost	11	10,811,022	61,307,844
Manufacturing Expenses	12	22,538,756	20,293,837
Administrative Expenses	13	10,955,777	9,000,401
Financial Charges	14	1,378,400	1,623,170
		45,683,955	92,225,252
Profit /(Loss) before Depreciation & Taxes		7,651,244	7,441,577
Depreciation		3,775,394	4,193,435
Profit/(Loss) before taxes		3,875,850	3,248,142
Provision for Tax:			
Income Tax Earlier Years		1,679,997	-
Income Tax		1,607,000	220,000
Fringe Benefit Tax		105,000	128,000
Deferred Tax		(168,100)	(248,372)
Profit after tax		651,953	3,148,514
Balance brought Forward		5,977,358	2,828,844
Profit/(Loss) carried to Balance Sheet		6,629,311	5,977,358
Basic/ Diluted Earning Per Share(Rs.)		5.22	25.19

Notes on accounts and significant
Accounting Policies

15

Schedule referred to above form an integral part of the Balance Sheet

As per our report of even date annexed
For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

For and on behalf of the Board

N. Ramani
Partner
M.No. 22438
Chennai, 27th June, 2008

A.P.S. Narag
Director

Manoj Khattar
Director

J & J LEATHER ENTERPRISES LTD.

SCHEDULES FORMING PART OF THE ACCOUNTS

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 1 : SHARE CAPITAL		
i) Authorised Share Capital 125,000(Previous Year 125,000) Equity Share of Rs. 100/- each	12,500,000	12,500,000
ii) Issued Subscribed & Paid Up Capital 125,000(Previous Year 125,000) Equity Shares of Rs.100/- each	12,500,000	12,500,000
	<u>12,500,000</u>	<u>12,500,000</u>
SCHEDULE 2: RESERVES & SURPLUS		
Capital Reserve		
Subsidy from TIIC	2,645,600	2,645,600
Surplus In Profit & Loss Account	6,629,311	5,977,358
	<u>9,274,911</u>	<u>8,622,958</u>
SCHEDULE 3: SECURED LOANS		
I) Term Loan from ING Vysya Bank	19,000,000	—
	<u>19,000,000</u>	<u>—</u>
Note:		
i) Term Loan secured against exclusive first charge on the Fixed Assets of the Company including land and Building of the company situated at 567, Nallambakkam Village ,(via Vandalur) , Chennai-48		
SCHEDULE 4: UNSECURED LOANS		
M/s Bhartiya Global Marketing Ltd., Holding Company	33,750,000	33,750,000
	<u>33,750,000</u>	<u>33,750,000</u>

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

SCHEDULES 5: FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	ORIGINAL COST	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	AS ON 31.3.2008	UPTO 31.3.2007	FOR THE YEAR	SALES ADJUSTMENT	UPTO 31.3.2007	AS AT 31.3.2008	AS AT 31.3.2007
Land	527,731	—	—	527,731	—	—	—	—	527,731	527,731
Building	18,594,942	—	—	18,594,942	9,332,684	926,226	—	10,258,910	8,336,032	9,262,258
Roads	286,195	—	—	286,195	75,988	10,510	—	86,498	199,697	210,207
Machinery	39,406,688	—	625,000	38,781,688	20,620,999	2,596,797	430,042	22,787,754	15,993,935	18,785,689
Vehicles	1,970,490	37,575	417,763	1,590,302	1,397,864	153,944	379,100	1,172,708	417,594	572,626
Furniture & Fixtures	181,376	3,715	—	185,091	142,619	7,346	—	149,965	35,126	38,757
Office Equipments	1,050,601	94,287	—	1,144,888	736,065	55,359	—	791,423	353,465	314,536
Computers	477,673	48,800	—	526,473	434,100	25,213	—	459,312	67,161	43,573
Total	62,495,696	184,377	1,042,763	61,637,310	32,740,319	3,775,394	809,142	35,706,570	25,930,740	29,755,377
Previous Year	59,245,517	433,225	1,087,046	58,591,696	29,453,962	4,193,435	907,078	32,740,319	29,755,377	2,979,155

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
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SCHEDULES 6: INVENTORIES

Stock in Trade (Value at Cost or Market Price whichever is lower & as certified by the management)

— Leather	1,289,694	6,182,867
— Chemical	2,350,689	3,169,966
	3,640,383	9,352,833

SCHEDULES 7: SUNDRY DEBTORS

(Unsecured and considered good)
For more than 6 months
Other

	1,046,628	1,056,460
	12,473,477	16,379,060
	13,520,105	17,435,520

SCHEDULES 8: CASH & BANK BALANCES

Cash In Hand	296,206	407,536
Balance with Scheduled Bank		
— In Current Account	5,247,121	2,281,067
— In Fixed Deposit	14,846	14,847
	5,558,173	2,703,450

SCHEDULE 9: LOAN & ADVANCE

(Advance Receivable in cash or kind for value to be received considered good)
Advances Recoverable in Cash & Kind or for value to be received

	11,151,757	5,375,274
	11,151,757	5,375,274

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 10: CURRENT LIABILITIES		
(i) Sundry Creditors		
Total Outstanding dues of Small Scale Industrial Undertakings (see Note No.3 in Schedule 15)	—	—
Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking	6,267,280	5,814,213
(ii) Other Liabilities	905,077	888,807
	<u>7,172,357</u>	<u>6,703,020</u>
SCHEDULE 11 : MATERIAL COST		
Opening Stock of Raw Materials	9,352,833	22,844,155
Add : Purchases -		
Leathers	3,537,949	26,218,927
Chemicals	16,480	19,402,121
Consumables	1,544,143	2,195,474
	<u>14,451,405</u>	<u>70,660,677</u>
Less : Closing Stock of chemical and leathers	3,640,383	9,352,833
	<u>10,811,022</u>	<u>61,307,844</u>
SCHEDULE 12: MANUFACTURING EXPENSES		
1) Job work charges paid	15,382,232	12,744,508
2) Electricity Expenses	2,854,063	2,778,461
3) Machinery Maintenance	1,757,692	2,090,180
4) Carriage Inwards	26,924	166,790
5) Generator Running & Maintenance	2,517,845	2,513,898
	<u>22,538,756</u>	<u>20,293,837</u>
SCHEDULES 13: ADMINISTRATIVE EXPENSES		
1) Staff Salaries	2,902,650	2,276,638
2) Staff Welfare	498,070	350,981
3) Printing & Stationery	82,120	74,338
4) Traveling & Conveyances	866,696	800,580
5) Postages & Telegram	11,157	10,336
6) Legal & Professional	2,222,705	1,918,402
7) Building Maintenance	358,774	169,679
8) Repair & Maintenance	960,032	781,749
9) Office Maintenance	1,731	5,870
10) Rent	158,600	211,930
11) Rate & Taxes	237,051	133,766
12) Freight Outward	1,288,466	791,667
13) Miscellaneous Expenses	199,923	165,291
14) Communication Expenses	245,519	301,449
15) Auditors Remuneration - As Auditors	38,090	25,000
- Income Tax Matters	5,618	5,000
16) Insurance	126,898	265,819
17) Computer Expenses	24,770	29,963
18) Fee & Subscription	27,173	9,884
19) Commission	—	19,415
20) Loss on sale of fixed Assets	—	49,464
21) Security Expenses	699,734	603,180
	<u>10,955,777</u>	<u>9,000,401</u>

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULES 14: FINANCIAL EXPENSES		
1) Interest	937,399	1,479,353
2) Bank Charges	441,001	144,644
3) Foreign Exchange Fluctuation	–	(827)
	<u>1,378,400</u>	<u>1,623,170</u>

SCHEDULES 15: NOTES ON ACCOUNT AND SIGNIFICANT ACCOUNTING

1 SIGNIFICANT ACCOUNTING POLICIES

(i) Method of Accounting

The financial statement are prepared on accrual basis under the historical cost convention in compliance with the Accounting Standards referred to in section 211(3C) and in accordance with the requirements of companies Act, 1956

(ii) Fixed Assets & Depreciation

Depreciation on Fixed Assets has been provided on WDV method as per rates specified in Schedule XIV of the Companies Act, 1956.

(iii) Inventories

Raw Materials and components are valued at cost. Finished goods are valued at the lower of cost or estimated net realisable value. Cost is determined on the first in first out cost method and in the case of work in progress and finished goods, it also includes an appropriate portion of production and administration related overheads.

(iv) Retirement Benefits

The employer's contribution to the employees provident fund is charged to the profit and Loss account during the year.

Gratuity liability is provided for on all eligible employees during the year on accrual basis.

Provision is made for value of unutilised leave due to employees at the end of year on accrual basis

(v) Taxes on Income

Current tax is determined on the amount of tax payable in respect of taxable income for the year. The deferred tax charge is recognized using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only to the extent there is reasonable certainty of realization in future.

(vi) Government Grants

Grants received from the Government which are in the nature of promoters contribution and are with reference to the total investment without any liability for repayment, are treated as capital reserve.

(vii) Impairment of Assets

where there is a indication that an asset is impaired, the recoverable amount, if any is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

(viii) Provision contingent liabilities and Contingent Assets

In accordance with Accounting Standard -29 (Provisions, Contingent Liabilities and Contingent Assts), issued by the institute of chartered Accountants of India, provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company.

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

2	Current year (Rs. In Lacs)	Previous year (Rs. In Lacs)
Estimated amount of contract pending executive on capital account (Rs. In Lacs)	25.82	6.20

3 CONTINGENT LIABILITIES

	Current year (Rs. In Lacs)	Previous year (Rs. In Lacs)
Contingent Liabilities not provided for	—	—

4 The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium enterprises Development Act. 2006) claiming their status as micro, small or medium enterprises. Consequently the amount paid/ payable to these parties during the year is nil.

5 Details of Management Remuneration to Whole-Time Director.

	Current year(Rs. In Lacs)	Previous year(Rs. In Lacs)
a. Salary & Allowances	3.00	4.00

	Current year(Rs. In Lacs)	Previous year(Rs. In Lacs)
6 Expenditure In foreign Currency	—	—
7 CIF Value of Imports	1.37	1.36
8 Consumption of Imported & Indigenous Raw Material		

	Current year (Rs. In Lacs)	%	Previous year (Rs. In Lacs)	%
Indigenous	108.11	100.00	613.07	100
Imported	—	—	—	—
	108.11	100.00	613.07	100

9 FOB Value Exports — —

10 Sundry Debtors, Loans & Advances includes amounts due from / to subsidiary Companies and companies under the same management as under:

	Current Year Rs.	Previous Year Rs.
Bhartiya International Ltd. (Sundry debtor)	12,638,249	16,379,060
Bhartiya Global Marketing Ltd.(Loan Received)	33,750,000	33,750,000

11. Related Party Disclosures

Related Party Disclosure as required under Accounting Standard on "Related Party Disclosures" issued by the Institute Of Chartered Accountants of India are given below :

a) Relationship:

i) **Holding Company :-**

Bhartiya Global Marketing Ltd.

ii) **Associate parties :-**

Bhartiya International Ltd.

iii) **Key Management Personnel:**

Board Of Directors

A.P. S. Narag

Manoj Khattar

C. L. Handa

Dr. S. Chandra

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

iv) Summary transactions during the year :	Associate Parties	Holding Co.	Key Management Personnel	Relatives Of Key Management Personnel's
a) Sales	8,479,806 (44,183,711)	— —	— —	— —
c) Purchases / Job Work	41,830,487 (53,760,522)	— —	— —	— —
d) Salaries	— —	— —	300,000 (300,000)	— —
b) Balances Outstanding at the year end:				
Sundry Creditors	— —	33,750,000 (33,750,000)	23,000 (23,500)	— —
Sundry Debtors	12,458,475 (16,379,060)	— —	— —	— —

12 Consumption of Raw Material	Qty	Value (Rs. Lacs)	Qty	Value (Rs. Lacs)
Leather (Pcs)	18503	84.31	222875	274.70
Chemical (Kgs)	2527	8.36	221145	316.42
Consumable	—	15.44	—	21.95
		108.11		613.07

13 Additional Information (Pursuant to the provision of paragraph 3,4C and Para II of schedule) to the Company Act, 1956.

A. Licensed & Installed Capacities

	Current year		Previous Year	
	qty. is sq.ft in lacs	value Rs.(lacs)	qty. is sq.ft in lacs	value Rs.(lacs)
Licensed capacity	NA		NA	
Installed Capacity	NA		NA	

B. Production/Purchase, Turnover & Stock (in lacs) (Bracket denotes last year figures)

Product	Unit	Opening Stock		Production		Sales		Closing Stock	
		Qty	Value (Rs. In lacs)	Qty	Value (Rs. In lacs)	Qty	Value (Rs. In lacs)	Qty	Value (Rs. In lacs)
Leather	Pcs	43,836	61.82	18,503	—	57731	121.46	10,630	12.90
	Pcs	(47166)	(74.34)	(222875)	—	(226205)	(434.80)	(43836)	(61.82)

14 a) The Income Tax Liability for the current year is as per the provisions of the Income Tax Act.

b) In compliance with the Accounting Standard on "Taxation of Income" (AS-22) issued by Institute of Chartered Accountants of India.

The breakup of net Deferred Tax Assets as on 31st March, 2008 is as below:

Particular	01.04.2007	For the year	31.03.2008
Depreciation	2,419,628	168,100	2,251,528
	2,419,628	168,100	2, 251,528

J & J LEATHER ENTERPRISES LTD.

SCHEDULES' (CONTD.)

15 Segment Reporting Disclosure as per accounting standard As-17 are at present not applicable to the company.

16 Earning per share (E.PS)

The basic / diluted earning per share calculated as per share calculated as per Accounting Standard-20 issued by the Institute of Chartered Accountants of India is as below.

	Current Year (Rs.)	Previous Year (Rs.)
a) Net profit after tax available for equity shareholders	651,953	3,148,514
b) weight average no of equity shares outstanding during the year	125,000	125,000
c) Basic/Diluted earnings per share (a/b)	5.22	25.19

17 Figures have been rounded off to the nearest rupee. Previous year figures have been regrouped wherever necessary.

As per our report of even date annexed.

As per our report of even date annexed
For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

N. Ramani
Partner
M.No. 22438
Chennai, 27th June, 2008

For and on behalf of the Board

A.P.S. Narag
Director

Manoj Khattar
Director

J & J LEATHER ENTERPRISES LTD.

BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

1 REGISTRATION DETAILS

Registration No.
Balance Sheet Date State Code

2 CAPITAL RAISED DURING THE YEAR -

3 POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid Up Capital Reserves and Surplus
Secured Loans Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets Investments
Net Current Assets Profit & Loss
Net Deferred Tax Liability

4 PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover including other income
Total expenditure
Profit Before Tax
Profit After Tax
Earning Per Share
Dividend Rate

5 GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.
Product Description

As per our report of even date annexed
For **Padmanabhan Ramani & Ramanujam**
Chartered Accountants

For and on behalf of the Board

N. Ramani
Partner
M.No. 22438

A.P.S. Narag
Director

Manoj Khattar
Director

Chennai, 27th June, 2008

BHARTIYA INTERNATIONAL SEZ LTD.

DIRECTORS' REPORT

The Directors present their 2nd Annual Report together with the audited accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

Particulars	(In Rs)	
	2007-2008	2006-2007
INCOME	—	—
EXPANDITURE	3,473,588	21,575
PROFIT/ (LOSS) FOR THE YEAR	(3,473,588)	(21,-575)

REVIEW OF OPERATION

Bhartiya International SEZ Ltd. (a Special Purpose Vehicle, promoted by Bhartiya International Ltd.) have signed shareholders agreement with Andhra Pradesh Industrial Infrastructure Corporation Ltd. for setting up a Leather & Leather Products Special Economic Zone. And has signed a deed of conveyance with Andhra Pradesh Industrial Infrastructure Corporation Ltd. wherein Andhra Pradesh Industrial Infrastructure Corporation Ltd. shall transfer 250.49 acres of contiguous land at Nellore District in the state of Andhra Pradesh to Bhartiya International SEZ Ltd., the procedure is likely to be completed by next year.

DIRECTORS

Mr. C.L.Handa, Director and Mr. Manoj Khattar, Additional Director of the Company hold office till the ensuing Annual General Meeting & being eligible offers themselves for appointment and Company has received notice from Members proposing their candidature for the office of Director.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year under review.

AUDITORS

The Auditors of the Company, M/s Sushil Poddar & Co., Chartered Accountants hold office until the conclusion of this Annual General Meeting, and being eligible offer themselves for reappointment. They have furnished a certificate that their reappointment if made shall be within the statutory limits specified in Section 224(1B) of the Companies Act, 1956.

The Auditors observation in the Auditor Report has been explained by the Company in details in Notes to the Accounts which from part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

- (i) In the preparation of the accounts, the applicable accounting standards have been followed;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the profit/losses of the Company for the year ended on that date;
- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) They have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

The Company has no employee whose remuneration exceeds the specified limit. Therefore, there are no particulars to be furnished under Section 217(2A) of the Companies Act, 1956.

BHARTIYA INTERNATIONAL SEZ LTD.

OTHER MATTERS

The Company has not commenced its business as yet thus no information as per section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1988 has been provided.

ACKNOWLEDGEMENTS

Your directors appreciate the contribution made by employees to the Company during the year under review and acknowledge the support extended by the Bankers, Vendors and Clients which has helped in the development of the Company.

For and on behalf of the Board

New Delhi, 26th June, 2008

Snehdeep Aggarwal
Director

Manoj Khattar
Director

BHARTIYA INTERNATIONAL SEZ LTD.

AUDITORS' REPORT

The Members of

M/s Bhartiya International SEZ Limited

New Delhi

1. We have audited the attached Balance Sheet of M/s Bhartiya International SEZ Limited as on 31st March , 2008 and the Profit and Loss Account 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.
2. We have 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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (*Auditor's Report*) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 we give in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the said books;
 - c. The Balance Sheet and Profit and Loss Account dealt with in this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit & Loss account dealt with by this report are in compliance with the mandatory accounting standards referred to in section 211 (3C) of the Companies Act, 1956.
 - e. Based on the representations made by all the Directors of the Company as on 31st March, 2008 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima-facie, have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
 - f. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes to the accounts in Schedule 5, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2008;
 - ii. In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date ; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Sushil Poddar & Co.**

Chartered Accountants

(S.K. PODDAR)

Prop.

M. No. 94479

New Delhi, 26th June, 2008

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

1. According to the information and explanations given to us, the company does not have any fixed assets. Accordingly the provisions of clause 4(i) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
2. According to the information and explanations given to us, the company does not have any Inventory. Accordingly the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
3. As informed to us, the Company has not taken or granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate 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.
5. Based on the examination of the books of account and related records and according to the information and explanations given to us, there were no contracts or arrangements with companies, firms or other parties which need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
6. According to the information and explanations given to us, the company has not accepted any deposits from the public as defined under the provision of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the company has an Internal Audit System commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section 209 of the Companies Act, 1956 for any of the products of the company.
9. According to the information and explanations given to us and the records of the Company examined by us:
 - a. The company has generally been regular in depositing its undisputed statutory dues including Income Tax and Cess with the appropriate authorities during the period and that there were no undisputed amounts payable in respect of these statutory dues which have remained outstanding as at 31 March, 2008 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1956 and The Employees State Insurance Act, 1948 are not applicable to the Company and that the operations of the company during the period, did not give rise to any liability for Sales Tax, Excise Duty, Custom Duty, Service Tax, Wealth Tax and Investor Education and Protection Fund.
 - b. According to the information and explanations given to us, there are no dues in respect of Sale Tax, Income Tax, Wealth Tax, Service Tax, Excise Duty, Custom Duty and Cess, which have not been deposited on account of any dispute.
10. The company is registered for less than five years. Accordingly, provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
11. According to the information and explanation given to us, the company has not taken any loan from banks or financial institutions and has not issued any debentures. Accordingly, provisions of clause 4(xi) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
12. According to the information and explanations given to us and based on documents and records examined by us, the company has not granted loans and advances on the basis of security by pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual fund/society. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion and according to information and explanation given to us, the Company is not dealing in or trading in shares, debentures, securities and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the company has not given any guarantee for loan taken by others from banks or financial institutions.

BHARTIYA INTERNATIONAL SEZ LTD.

16. According to the information and explanations given to us, the Company has not obtained any term loan. Accordingly, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
17. According to the information and explanations provided to us and on an overall examination of the Balance Sheet of the company, funds raised on short term basis have prima facie, not been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act. 1956.
19. According to the information and explanations given to us, and the records of the Company examined by us, the Company has not issued any debentures.
20. According to the information and explanations given to us, and the records of the Company examined by us, the Company has not raised any money by way of public issue.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported.

For **Sushil Poddar & Co.**

Chartered Accountants

(S.K. PODDAR)

Prop.

M. No. 94479

New Delhi, 26th June, 2008

BHARTIYA INTERNATIONAL SEZ LTD.**BALANCE SHEET AS AT 31ST MARCH, 2008**

	SCHEDULE	Current Year Rs.	Previous Year Rs.
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
APPLICATION OF FUNDS			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	386,025	499,950
Loans and Advances		113,360,895	—
		<u>113,746,920</u>	<u>499,950</u>
Less: Current Liabilities and Provisions			
Current Liabilities	3	113,442,361	183,750
Provisions		—	—
		<u>113,442,361</u>	<u>183,750</u>
Net Current Assets		304,559	316,200
Miscellaneous Expenditure			
Preliminary Expenses	4	144,200	162,225
Profit and Loss Account		51,241	21,575
		<u>500,000</u>	<u>500,000</u>
Notes to Accounts and significant accounting policies Schedule	5		

As per our report of even date attached

For and on behalf of the Board

for **SUSHIL PODDAR & Co**
Chartered Accountants

(Sushil Poddar)
Prop.
M.No. 94479
New Delhi, 26th June, 2008

Snehdeep Aggarwal
Director

Manoj Khattar
Director

BHARTIYA INTERNATIONAL SEZ LTD.**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2008**

	Current Year Rs.	Previous Year Rs.
INCOME		
Income from operation	—	—
	—	—
EXPENDITURE		
Audit Fees	7,500	3,500
Conveyance Expenses	130	—
Preliminary Expenses	18,025	18,025
Legal & Professional Charges	500	—
Rate & Taxes	3,511	—
Bank Charges	—	50
	<u>29,666</u>	<u>21,575</u>
Profit Before Taxation	(29,666)	(21,575)
Profit for Taxation		
Income Tax	—	—
Fringe Benefit Tax	—	—
Deferred Tax	—	—
	<u>(29,666)</u>	<u>(21,575)</u>
Profit After Taxation	(29,666)	(21,575)
Add: Balance brought forward from Previous Year	(21,575)	—
Balance Carried to Balance Sheet	<u>(51,241)</u>	<u>(21,575)</u>
Basic/ Diluted Earning per Share	(0.59)	(0.43)

Notes to Accounts and significant accounting policies Schedule 5.

As per our report of even date attached

For and on behalf of the Board

for **SUSHIL PODDAR & Co**

Chartered Accountants

(Sushil Poddar)

Prop.

M.No. 94479

New Delhi, 26th June, 2008

Snehdeep Aggarwal

Director

Manoj Khattar

Director

BHARTIYA INTERNATIONAL SEZ LTD.**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2008**

	Current Year Rs.	Previous Year Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and Extra Ordinary Items	(29,666)	(21,575)
Adjusted for :		
Preliminary Expenses Written off	<u>18,025</u>	<u>18,025</u>
	18,025	18,025
Operating profit before working capital changes	(11,641)	(3,550)
Adjustment for :		
Preliminary Expenses incurred	—	(180,250)
Loans and Advances	(113,360,895)	—
Sundry Creditors	<u>(113,258,611)</u>	<u>183,750</u>
	(102,284)	3,500
Cash generated from operations	<u>(113,925)</u>	<u>(50)</u>
Taxes paid	—	—
Financial Expenses (Net)	—	—
Cash flow before Extra-Ordinary Items	(113,925)	(50)
Extra Ordinary Items	—	—
NET CASH FROM OPERATING ACTIVITIES	(113,925)	(50)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
NET CASH USED IN INVESTMENT ACTIVITIES	—	—
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	—	500,000
NET CASH USED IN FINANCING ACTIVITIES	—	500,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	499,950	—
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	386,025	499,950

As per our report of even date attached

For and on behalf of the Board

for **SUSHIL PODDAR & Co**
Chartered Accountants**(Sushil Poddar)**
Prop.
M.No. 94479
New Delhi, 26th June, 2008**Snehdeep Aggarwal**
Director**Manoj Khattar**
Director

BHARTIYA INTERNATIONAL SEZ LTD.**SCHEDULES FORMING PART OF THE ACCOUNTS**

DISCRIPTION	Current Year Rs.	Previous Year Rs.
SCHEDULE 1: SHARE CAPITAL		
(i) Authorised Share Capital 1,000,000 Equity Share of Rs 10/- each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
(ii) Issued Subscribed and Paidup Capital 50,000 Equity Share of Rs. 10/- each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
SCHEDULE 2: CURRENT ASSETS, LOANS & ADVANCES		
Cash and Bank Balances		
Cash in hand	46,242	50,000
Balance - with Scheduled Banks in Current Account	339,783	449,950
	<u>386,025</u>	<u>499,950</u>
Loans and Advances (Unsecured, considered good unless otherwise stated)		
Advances / expenses for Land Procurement	113,360,895	—
	<u>113,360,895</u>	<u>—</u>
SCHEDULE 3: CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors	7,500	3,500
Due to holding Company	113,434,861	180,250
	<u>113,442,361</u>	<u>183,750</u>
SCHEDULE 4: MISCELLANEOUS EXPENSES (to the extenet not written off or adjusted)		
Preliminary expenses	162,225	180,250
Less : Written Off during the year	18,025	18,025
	<u>144,200</u>	<u>162,225</u>

SCHEDULE 5 : NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES.**1. SIGNIFICANT ACCOUNTING POLICIES :****a) System of Accounting**

The financial statements are prepared on accrual basis under the historical cost convention in accordance with the requirements of the Companies Act, 1956.

b) Recognition of Income and Expenditure

Revenue/Incomes and Cost/Expenditure are generally accounted on accrual, as they are earned or incurred.

c) Miscellaneous Expenditure

Preliminary expenses are being written off in equal installment over a period of ten years.

d) Taxes on Income

Provision for tax for the year comprises Current Year Income Tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent periods.

BHARTIYA INTERNATIONAL SEZ LTD.

2. Contingent Liabilities :- NIL
3. The Company is a subsidiary of Bhartiya International Ltd. By virtue of Section 4(1) (b) of the Companies Act, 1956.
4. The activity of the Company during the current year do not attract any disclosure pursuant to the provision of paragraph 3, 4C & 4D of Part-II of Schedule VI of the Companies Act, 1956.
5. Earning per share computed accordance with the mandatory equipments of Accounting Standards No. 20 issued by the Institute of Chartered Accountants of India is as under:

	<u>31.03.2008</u>	<u>31.03.2007</u>
a) Net Profit after Tax available for equity shareholders	(29,666)	(21,575)
b) Weighted average number of Equity Shares of Rs. 10/- each	50,000	50,000
c) Basic/ Diluted Earning per Share Rs. (a/b)	(0.59)	(0.43)

6. The deferred tax assets/liability for the current period have not been recognised keeping in view the consideration of prudence in accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by ICAI. Company will reassess the unrecognised deferred tax asset in subsequent period having regard to the future developments.
7. No provision for Income Tax has been made as there is no taxable income under the provisions of the Income Tax Act.
8. Figures has been rounded off to the nearest rupee.
9. Previous year figure have been re-grouped wherever necessary.

As per our report of even date attached

For and on behalf of the Board

for **SUSHIL PODDAR & Co**
Chartered Accountants

(Sushil Poddar)
Prop.
M.No. 94479
New Delhi, 26th June, 2008

Snehdeep Aggarwal
Director

Manoj Khattar
Director

BHARTIYA INTERNATIONAL SEZ LTD.

BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

1 REGISTRATION DETAILS

Registration No.
Balance Sheet Date State Code

2 CAPITAL RAISED DURING THE YEAR -

3 POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid Up Capital Reserves and Surplus
Secured Loans Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets Investments
Net Current Assets Mis. Expenditure
Profit & Loss

4 PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover including other income
other Income
Total expenditure
Profit/(Loss) Before Tax (-)
Profit After Tax (-)
Earning Per Share (-)
Dividend Rate

5 GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.
Product Description

As per our report of even date attached

For and on behalf of the Board

for **SUSHIL PODDAR & Co**
Chartered Accountants

(Sushil Poddar)
Prop.
M.No. 94479
New Delhi, 26th June, 2008

Snehdeep Aggarwal
Director

Manoj Khattar
Director

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and the audited financial statements of the Company for the year ended 31st Decemeber, 2007.

PRINCIPAL ACTIVITIES

The Principal activities of the Company during the year were that of exporters and importers of toys, garment and other products.

FINANCIAL RESULTS

The results of the company's operations for the year ended 31st December, 2007 and the state of its affairs at that date are dealt with in the financial statements.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31st Decemeber 2007.

DIRECTORS

The following Directors held office during the year.

Mr. Snehdeep Aggarwal

Mr. Nikhil Aggarwal

Mr. Sanjay Vaze

In accordance with the company's Articles of Association, all the present directors shall remain in office for the ensuring year.

DIRECTORS' INTEREST

Except for the disclosure in Note 16, no contract of significance to which the Company was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

NON-CURRENT ASSETS

Movements in non-current assets are shown in Note 8 to the financial statements.

SHARE CAPITAL

There was no change of share capital for the year ended 31st December, 2007.

AUDITORS

Messrs, Philip C. C. Hau & Co., Certified Public Accounts, are the Company's retiring auditors who, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Hong Kong, 23rd June, 2008

Sanjay Vaze
Chairman

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

AUDITORS' REPORT

We have audited the financial statements of World Fashion Trade Limited which comprise the balance sheet as at 31st December, 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the suitability of the balance sheet together with the note; thereon being prepared on a going concern basis. In view of the net liabilities as at 31st December, 2007 continuance in business as a going concern is dependent upon the retention of financial support of the company's shareholders/directors and or attaining future profitable operations.

Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets of their recoverable amount and to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

BASIS OF OPINION

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatements. However, the evidence available to us was limited. Group financial statements for the company and its subsidiary have not been prepared and no financial information in respect of the subsidiary is disclosed in the financial statements. The financial statements do not include an explanation for this departure from an applicable accounting standards. In addition, the Company has an investment in Subsidiary Company. We are unable to obtain sufficient information to satisfy ourselves as to whether the cost of investment in the subsidiary company can be recovered in full. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves to the carrying value of this investment.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for the absence of group financial statements and sufficient evidence concerning the carrying value of its investment in Subsidiary Company, in our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December, 2007 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the International Financial Reporting Standards.

Philip C. C. Hau & Co.
Certified Public Accountants
Hong Kong, 23rd June, 2008

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

BALANCE SHEET AS AT 31ST DECEMBER, 2007

	Notes	2007 HK\$	2006 HK\$
ASSETS			
Non-current Assets			
Furniture and Fixtures and Motor Vehicles	2(b),8	364,164	450,502
Investment in Subsidiary Company	2(c)	49,079	49,079
Current Assets			
Utility and Rental Deposits		63,482	70,670
Bills on Collection		–	977,579
Debtors and Prepayments		176,055	2,861,569
Amount due from a Related Company	11	1,908,620	–
Cash at Banks and in Hand		89,171	144,043
		<u>2,237,328</u>	<u>4,053,861</u>
Current Liabilities			
Bank Overdraft (secured)		1,260,711	2,442,038
Creditors and Accrued Charges		474,063	1,574,684
Bills Payable		–	229,777
Amount due to Holding Company	10	5,317,185	4,135,629
Amount due to Related Companies	12	1,478,425	1,078,212
		<u>8,530,384</u>	<u>9,460,340</u>
NET CURRENT LIABILITIES		<u>(6,293,056)</u>	<u>(5,406,479)</u>
		<u>5,879,812</u>	<u>4,906,898</u>
CAPITAL AND RESERVES			
Share Capital	9	7,730	7,730
Accumulated Losses		(5,887,542)	(4,914,628)
		<u>(5,879,812)</u>	<u>(4,906,898)</u>

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

	Notes	2007 HK\$	2006 HK\$
Turnover	3	12,963,324	10,971,006
Other Revenue		574,175	38,650
Change in Inventories of Finished Goods		(10,548,978)	(9,218,114)
Staff Costs		(1,362,768)	(1,500,468)
Depreciation Expenses		(180,387)	(206,612)
Other Operating Costs		(2,131,015)	(3,473,474)
Loss from Operations	4	(685,649)	(3,389,012)
Finance Costs	5	(287,265)	(424,118)
Loss before Taxation		(972,914)	(3,813,130)
Income Tax Expenses	6	(-)	(-)
Loss after Taxation		(972,914)	(3,813,130)
Accumulated Losses brought forward		(4,914,628)	(1,101,498)
Accumulated Losses carried forward		<u>(5,887,542)</u>	<u>(4,914,628)</u>

There were no recognized gains or losses other than the loss after tax for the year.
Approved by the Board of Directors on 23rd June, 2008

Sanjay Vaze

Director

Snehdeep Aggarwal

Director.

The notes of accounts form part of these financial statements.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	2007	2006
	HK\$	HK\$
OPERATING ACITIVIES		
Loss from operations	(972,914)	(3,813,130)
Adjustment for :		
Bank charges and Interest Paid	287,265	424,118
Depreciation	180,387	206,612
Operating cash flow before movements in working capital	(505,262)	(3,182,400)
Decrease in Utility and Rental Deposits	7,188	54,841
Decrease/(Increase) in Bills on Collection	977,579	(865,494)
Decrease/(Increase) in Debtors and Prepayments	2,685,514	(398,055)
(Decrease)/(Increase in Bills Payable	(229,777)	229,777
(Decrease) in Trust Receipts	–	(327,366)
(Decrease) in Creditors	(1,100,620)	(96,851)
Cash generated from operations	1,834,622	(4,585,548)
Profits Tax Paid	–	–
Net cash from/(used in) Operating Activities	1,834,622	(4,585,548)
INVESTING ACTIVITIES		
Purchase of Furniture and Fixtures	(94,050)	(175,468)
Purchase of Motor Vehicles	–	(109,958)
Net cash (used in) Investing Activities	(94,050)	(285,426)
FINANCING ACTIVITIES		
(Increase) in Amount due from a Related Company	(1,908,620)	–
(Decrease) / Increase in Bank Overdraft	(1,181,327)	2,442,038
Increase in Amount due to Holding Company	1,181,555	761,472
Increase in Amount due to Related Companies	400,213	1,078,212
Bank charges and Interest Paid	(287,265)	(424,118)
Net cash from / (used in) Financing Activities	(1,795,444)	3,857,604
Net increase in cash and cash equivalents	(54,872)	(1,013,370)
Cash and cash equivalents at 1 January	144,043	1,157,413
	89,171	144,043

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

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Republic of Mauritius with limited liability. The address of its registered office is Suite 1402, 1 Duddell Street, Central, Hong Kong. The principal activity is the exporters and importers of toys, garment and other products. The financial statements are presented in Hong Kong Dollars (HK\$), which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared under historical cost convention, accrual basis of accounting and on the basis that the company is a going concern.

(a) Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the company and when the revenue can be measured reliably, on the following basis:—

- (i) Sales of Goods are recognized when the entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured; and
- (ii) Inspection Fee Received is recognized when the company has rendered its services to the customer and the right to receive payment is reasonably assured.

(b) Depreciation and Amortization

Depreciation is provide to charge the cost of depreciable assets to operations over their estimated useful lives on a straight line basis at the following annual rates :—

Furniture and Fixtures	20%
Motor Vehicles	30%

(c) Investments

Investments held on a long-term basis are stated at cost less identified impairment loss, if any, for permanent diminution in value.

Short term investments are stated at the lower of cost and market value at the balance sheet date.

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in HK\$, which is the Company’s functional and presentation currency in Hong Kong.

(ii) Transactions and balances

Foreign Currency Transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(e) Subsidiary Companies

Subsidiary Companies are companies in which the Company hold not less than 50% of the equity as a long term investment and exercise control in their management. The results of subsidiary companies are accounted for the

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

extent of dividend received. Investments in subsidiary companies are stated at cost less impairment loss for the provision of permanent diminution in value, if any.

(f) Taxation

Income Tax expense represents current tax expense. The Income tax payable represents the amounts expected to be paid to the taxation authority, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not provided.

(g) Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment losses been recognized for the asset in prior years.

(h) Related Parties

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly and indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns and allowances.

	2007	2006
	HK\$	HK\$
Sales of goods	<u>12,963,324</u>	<u>10,971,006</u>
4. LOSS FROM OPERATIONS		
Loss from operations has been arrived after charging:-		
Depreciation and Amortization	180,387	206,612
Auditor's Remuneration	24,000	24,000
	<u>204,387</u>	<u>230,612</u>
5. FINANCE COSTS		
Bank Charges	83,440	138,970
Bank Interest Paid	203,825	113,782
Interest on Loan	—	171,366
	<u>287,265</u>	<u>424,118</u>
6. INCOME TAX EXPENSES		

In the opinion of the directors, no provision for taxation has been made as the income neither arises in nor is derived from, Hong Kong or any of other jurisdictions in which it operates. Apart from this, all the contracts as regard to the purchases and sales of goods were concluded in overseas, therefore, there were no performance of services rendered in Hong Kong. No deferred tax has been provided in the financial statements as the effect of all timing differences is immaterial.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

7. INVESTMENT IN SUBSIDIARY COMPANY

	2007 HK\$	2006 HK\$
Share investment at cost	<u>49,079</u>	<u>49,079</u>

Particulars of Subsidiary Company as at 31st December, 2007 is as follows:-

Name of Company	Country of Incorporation	Class of Shares Hold	% of Shareholding	Nature of Business
Merix XXI S. L.	Spain	Ordinary	100%	Trading

Group financial statements have not been prepared and Investment in Subsidiary Company is carried in the financial statements at cost. In the opinion of the Directors, the production of Groups financial statements would involve expenses and delay out of proportion to the value to the members of the Company and no impairment loss should be made in the financial statements.

8. NON-CURRENT ASSETS

	Furniture & Fixtures HK\$	Motor Vehicles HK\$	Total HK\$
AT COST			
At 1/1/2007	552,095	320,643	872,738
Additions	94,050	-	94,050
At 31/12/2007	<u>646,145</u>	<u>320,643</u>	<u>966,788</u>
AGGREGATE DEPRECIATION/ AMORTIZATION			
At 1/1/2007	199,633	222,603	422,236
Charge for the year	126,331	54,056	180,387
At 31/12/2007	<u>325,964</u>	<u>276,659</u>	<u>602,623</u>
NET BOOK VALUE			
At 31/12/2007	<u>320,181</u>	<u>43,983</u>	<u>364,164</u>
At 31/12/2006	<u>352,462</u>	<u>98,039</u>	<u>450,501</u>

9. SHARE CAPITAL

	2007 HK\$	2006 HK\$
Authorized, Issued and Fully paid:- 1,000 Ordinary share of US\$ 1.00 each	<u>7,730</u>	<u>7,730</u>

10. AMOUNT DUE TO HOLDING COMPANY

Bhartiya International Ltd., India		
Balance at 1/1/2007	4,135,629	23,801
Advances	<u>1,191,695</u>	<u>4,111,828</u>
	5,327,325	4,135,629
Repayments	<u>(10,140)</u>	(–)
Balance at 31/12/2007	<u>5,317,185</u>	<u>4,135,629</u>

The amount is unsecured, interest-free and has no fixed term of repayment.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

11. AMOUNT DUE FROM A RELATED COMPANY

Detailed of amounts due from a related company disclosed are as follows :-

	2007	2006
	HK\$	HK\$
Balance at 1/1/2007	-	-
Advances	1,908,620	-
	1,908,620	-
Repayments	-	-
Balance at 31/12/2007	1,908,620	-
	Maximum amount	Balance at
	Balance at	outstanding
	31/12/2007	during the year
	HK\$	HK\$
Merix XXI S. L.	1,908,620	1,908,620
Spain	-	-

The amount is unsecured, interest-free and has no fixed term of repayment Merix XXI S. L., Spain is the wholly owned subsidiary of the Company.

12. AMOUNT DUE TO RELATED COMPANIES

	2007	2006
	HK\$	HK\$
Detailed of amounts due to related companies disclosed are as follows:-		
Bhartiya International Limited, Italy		
Balance at 1/1/2007	238,502	-
Advances	464,441	238,502
	702,943	238,502
Repayments	(238,502)	-
Balance at 31/12/2007	464,441	238,502
Bhartiya Global Marketing Limited, India		
Balance at 1/1/2007	839,711	885,596
Advances	174,273	124,097
	1,013,984	1,009,693
Repayments	-	(169,983)
Balance at 31/12/2007	1,013,984	839,710
	Maximum amount	Balance at
	Balance at	outstanding
	31/12/2007	during the year
	HK\$	HK\$
Bhartiya International Ltd., Italy	464,441	702,943
Bhartiya Global Marketing Ltd., India	1,013,984	1,013,984
	1,478,425	1,078,212

The amounts are unsecured, interest-free and have no fixed terms of repayment. These companies are under common management and control.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

13. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to section 161 of the Companies Ordinance is as follow :-

	2007 HK\$	2006 HK\$
Fees	-	-
Other Emoluments	-	-
	<u>-</u>	<u>-</u>

14. CONTINGENT LIABILITIES

At 31st December, 2007, there were contingent liabilities in respect of :-

	2007 HK\$	2006 HK\$
Unutilized Portion of Standby Letter of Credit	<u>2,705,500</u>	<u>-</u>

15. OPERATION LEASE COMMITMENT

As at the balance sheet date, the company had annual commitment payable in the following period under operating lease in respect of rented premises as follows:

- within one year	-	-
- in the second to fifth year inclusive	-	150,375
- over the fifth year	-	-
	<u>-</u>	<u>150,375</u>

16. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties :-

Related Party	Transaction	2007 HK\$	2006 HK\$
Bhartiya Global Marketing Ltd. India	Agents' Commission	174,273	107,362
Bhartiya International Ltd., India	Sales	<u>496,894</u>	<u>-</u>

In the opinion of the Directors, the above transactions were carried out on the following basis:-

- (a) Agents' Commission was paid at market price.
- (b) Sales of goods were carried out at market price.

17. FINANCIAL RISK MANAGEMENT

The Company is exposed to various kinds of risks in its operation. The Company's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the Company by closely monitoring the individual exposure as follows:-

(a) Foreign Exchange Risk

The Company is exposed to foreign currency risks mainly through sales and purchases from outside customers and supplies or related parties at commercial rates that are denominated in HK Dollars (HK\$) or US Dollars (US\$). As US Dollar is pegged to Hong Kong Dollar, the Company does not expect any significant movements in USD/HKD exchange rate.

(b) Credit Risk

The Company has no significant concentrations of credit risk. Financial assets which potentially expose the Company to concentration of credit risk comprise principally bank accounts, bills on collection and debtors and prepayments. The Company's bank accounts are placed with high quality financial institutions. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. The Company performs periodic credit evaluations of its customers.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

(c) Liquidity Risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms. The Company's directors and shareholders have confirmed their intention to provide funds for the company to meet its liabilities as and when they fall due.

(d) Cash Flow Interest Rate Risk

As the Company has no significant interest-bearing assets, it is not exposed to any significant interest rate risk. The Company's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair Value Estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments, unless the effect of discounting will be immaterial. At the balance sheet date, the fair values of Company's financial assets and liabilities approximate their carrying amounts.

18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the directors expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

WORLD FASHION TRADE LTD. HONG KONG REPRESENTATIVE OFFICE

**DETAILED TRADING AND PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	2007 HK\$	2006 HK\$
SALES	12,963,324	10,971,006
NON-CURRENT ASSETS		
LESS : COST OF SALES		
Purchases	10,035,954	8,621,330
Add : Direct Expenses		
Agents' Commission	174,273	136,675
Bank Charges	83,440	138,970
Certificate and Declaration Charges	29,523	2,317
Freight	9,332	55,255
Inspection Fee	9,568	46,236
Labels	97,217	144,161
Marine Insurance	6,280	9,499
Samples	173,898	177,709
Testing Charges	12,934	24,932
	10,632,419	9,357,084
GROSS PROFIT	2,330,905	1,613,922
Add : Inspection Fee Received	535,603	38,650
Scrap value of Furniture and Fixtures Sold	14,040	-
Sub-letting Rental Received	24,532	-
	574,175	38,650
	2,905,080	1,652,572
LESS : ADMINISTRATION EXPENSES		
Advertising and Promotion Expenses	26,012	56,244
Audit Fee	24,000	24,000
Bank Interest Paid	203,825	113,782
China Office Expenses	100,639	87,530
Consultancy Fee	417,625	1,327,567
Depreciation on:-		
Furniture and Fixtures	126,331	110,419
Motor Vehicles	54,056	96,193
Difference in Exchange	(549,124)	(2,979)
Electricity and Water	24,620	23,562
Entertainment	61,014	30,279
Hire Charges	1,633	1,633
Medical Expenses	1,170	41,396
Insurance	18,718	9,472
Interest on Loan	-	171,366
Management and Accountancy Fees	202,800	156,000
Mandatory Provident Fund-Staffs	20,275	42,713
Motor Vehicle Expenses	190,035	126,634
Postage and Courier Charges	454,798	502,818
Printing and Stationery	44,822	30,341
Rent and Rates	258,793	294,140
Repairs and Maintenance	57,395	30,234
Secretarial Fee	7,800	7,800
Staff Messing	46,800	51,450
Staff Salaries and Allowances	1,342,493	1,457,755
Sundry Expenses	15,975	75,967
Telephone and Fax	179,018	125,970
Travelling Expenses-		
Local	3,675	44,375
Overseas	542,797	429,041
	3,877,995	5,465,702
Loss form operations	(972,914)	(3,813,130)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2007**

To the members of MERIX, XXI, S.L.

We have prepared the financial statements which have been prepared under the accounting policies in Spain.

We prepared the accounts in accordance with the information provided by you, following the adjustments you suggested us in accordance with the Spanish accounting rules and the accounting principles usually accepted.

Opinion

The accounts have been prepared by us following your direct requirements. Following the law, the accounts do not need to be revised by an independent accountant.

Sd/-

Felipe Santiago

Gesdocument y Gestion, S.A.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2007	2007	2006
	€	€
Gross sales – Trade	—	—
Gross sales – Intercompany	—	—
TOTAL GROSS SALES	—	—
Sales returns – Trade	—	—
Sales returns – Intercompany	—	—
TOTAL SALES RETURNS	—	—
NET SALES – TRADE	—	—
NET SALES – TOTAL	—	—
Cost of Sales – Trade	—	—
Cost of Sales – Intercompany	—	—
Commission of sales	—	—
Inventaried Change goods released	—	—
TOTAL COST OF SALES	—	—
OPERATING PROFIT	—	—
General Administrative Costs	-3,640.93	-3,534.51
Amortization of cost establishment	—	—
ADMIN & DISTRIBUTION COSTS	-3,640.93	-3,534.51
PROFIT BEFORE INTEREST AND TAXATION	-3,640.93	-3,534.51
Interest received	0.01	0.05
Interest paid	—	—
Bad debts	—	—
Profit & Loss previous years	—	—
Extraordinary Income	—	—
	0.01	0.05
PROFIT BEFORE TAX	-3640.92	-3534.46
Corporate Income Tax	-910.23	-1060.34
Retained profit for the Year	-2,730.69	-2,474.12

BALANCE SHEET AS AT 31ST DECEMBER, 2007

	2007	2006
	€	€
Fixed Assets		
Intangible Fixed Assets	—	—
Current Assets		
Stocks	—	—
Trade Debtors	181,275.01	181,275.01
Other Debtors	—	—
Public	5,416.80	3,966.22
Treasure	—	—
Bank & Cash	1,155.12	5,335.81
	187,846.93	190,577.04
Current Liabilities		
Trade Creditors	-191,172.30	-191,165.79
Other Creditors	-2966.60	-2,966.60
Public	—	-5.93
Treasure	—	—
Bank Loans & Financing	—	—
	-194,138.90	-194,138.32
Net Assets/ (Liabilities)	-6,291.97	-3,561.28
Financed By:-		
Issued Share Capital	3,006.00	3,006.00
Previous Periods Results	-6,567.28	-4,093.16
Profit & Loss account	-2,730.69	-2,474.12
Own Resources	-6,291.97	-3,561.28

1. ACTIVITY OF THE COMPANY

The Company known as "MERIX, XXI, S.L." was established for an indefinite period in deed of constitution notarized on 6th October 2000 by Antonio López –Cerón y Cerón Notary Public of Barcelona, and the deed was deposited in the Mercantile Registry of Barcelona.

The current registered address is declared as: Ronda Sant Pere, 17 in Barcelona.

The authorized objects of the company are to purchase, to sale, to import, to export and commerce with all kind of leather articles of clothing. The real activity of the company begins in December of 2000.

2. THE BASIS FOR PRESENTATION OF THE ANNUAL ACCOUNTS

In accordance with Article 35.3 of the Law of Commerce, currently in force and Article 199 of the revised text of the Limited Companies Law. The present memorandum has the object of completing, amplifying and providing commentaries both on the Society's Balance Sheet as of 31st December, 2007 and on the Profit and Loss Account for the year from 1st January, 2007 to 31st December, 2007.

Therefore, firstly, this memorandum is dependent on the effectiveness of the information contained within the Balance Sheet of the Company, and its Profit and Loss Account. To this end the contents of the Annual Accounts are complemented, explained, analyzed, and clarified in order to endow them with greater clarity and render them more informative. Secondly, the present memorandum incorporates with complete authority a series of items of information not included in the Balance Sheet or in the Profit and Loss Account, with intention of providing a true view of the net worth, the financial position, and the results. These accounts are to be submitted for the approval of the General Shareholders' Meeting. The Management of the Company does not expect that any changes will have to be made to obtain said approval.

The accounts for the current fiscal year are presented in Euros, the currency in which the accounts have been prepared during the entire period.

3. RESULTS OF YEAR 2007

The company has a negative result in year 2007 of 2,730.69 euros.

4. ACCOUNTING POLICIES

The Annual Accounts have been prepared applying the generally accepted accounting principles. There is no accounting principle whose effect is significant, which has not been applied.

There are no factors, which prevent comparison between the figures of this fiscal year and those of the previous year. There are no records that have been attributed to two or more items within the Balance Sheet of the Profit and Loss Account.

Turnover

Turn over represents sales to outside customers at invoiced amounts less value-added tax. All turnovers in the year arose in Spain.

Establishment costs

The Company has no item relating to this heading in its accounts since the formation expenses have been fully amortized in previous years.

Own shares

The society has no own shares in its possession.

Debts

Debts are classified as short or long-term in terms of their due date calculated as from the date of closing the fiscal year. Short-term being considered to be those with due dates of less than 12 months and long-term considered to be those with a due date greater than such period.

Company Tax

The expense for company tax is calculated on the basis of the net profit before taxes increasing or reducing this basis according to permanent differences in the determination of the fiscal profit. This corrected basis is multiplied by the current tax rate and to this result the credits and deductions to which the company is entitled are applied thus obtaining the final tax expense.

Income & Expenses

Income and Expenses are corded in terms of the real flow of goods and service which they represent, independently of the moment in which the monetary or financial flow deriving from them occurs.

Nevertheless, in observance of the principle of prudence, foreseeable income is not recorded while the opposite criterion is followed for expenses.

Foreign Currency Transactions

Profits accruing transactions in Foreign Currencies are only attributed to profit when they materialized, in observance of the principle of prudence, while losses occurring are attributed at the moment at which they become know.

5. FIXED ASSETS

This company have no movement of fixed assets.

6. SHAREHOLDER'S FUNDS

The balances and variation occurring during the fiscal years 2006 and 2007 in the equity account are as follows:

	Subscribed Capital	Results	Shareholders funds
Fiscal Year 2006	3,006.00	-2,474.12	-3,561.28
Fiscal Year 2007	3,006.00	-2,730.69	-6,291.97

7. DEBTS

As of 31st December, 2007 there are no debts in existence with due dates greater than 5 years, and there are no debts with real guarantees.

There is a debt with the parent Company World Fashion Trade of 190, 862.69

8. SHARE HOLDINGS IN OTHER COMPANIES

The Company MERIX, XXI, S.L. does not possess either directly or indirectly any shareholding in any other Companies.

9. EXPENSES

The Company MERIX, XXI, S.L. does not paid Wages and Salaries.

10. OTHER INFORMATION

The members of the Board of Directors have not received any compensation for their work as Board Members.

INDEPENDENT AUDITOR'S REPORT

BIL GROUP LLC
New York.

We have audited the accompanying balance sheet of **BIL GROUP LLC** as of December 31, 2007, and the related statements of income, retained earnings, and cash flows for the year then ended. 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 the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BIL GROUP LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

S. Grover & Company, LLC
Certified Public Accountants

EDISON, New Jersey
June 26th, 2008

BIL GROUP LLC, N.Y.**BALANCE SHEET AS AT DECEMBER 31, 2007**

(See accompanying Independent Auditors' Report)

PARTICULARS	2007 US\$
ASSETS	
CURRENT ASSETS :	
Cash & cash equivalents	14,724
Accounts receivable	184,245
TOTAL CURRENT ASSETS	198,969
FIXED ASSETS :	
Property and Equipment, net of accumulated depreciation of \$9163	81
TOTAL ASSETS	199,050
LIABILITIES AND STOCKHOLDER'S EQUITY	
CURRENT LIABILITIES :	
Accounts payable and accrued expenses	23,843
Due to related party	173,280
TOTAL CURRENT LIABILITIES	197,123
OWNERS EQUITY	
Member's Equity	1,927
TOTAL LIABILITIES	199,050

**Statement of Operations and Member's Equity
For the year ended December 31, 2007**

PARTICULARS	2007 US\$
SALES, NET OF DISCOUNTS	412,372
COSTS AND EXPENSES :	
Costs of Goods Sold	322,533
Selling, General and Administrative	89,935
Interest	1,027
TOTAL COSTS AND EXPENSES	413,495
NET INCOME BEFORE TAX	(1,123)
Taxes	(1,202)
NET INCOME AFTER TAX	(2,325)
MEMBERS EQUITY-BEGINING OF THE YEAR	(108,921)
MEMBER'S CAPITAL CONTRIBUTIONS	110,000
PRIOR PERIOD ADJUSTMENTS	3,173
MEMBERS EQUITY- END OF THE YEAR	1,927

The accompanying notes are an integral part of these Financial Statements.

BIL GROUP LLC, N.Y.**STATEMENT OF CASH FLOW YEAR ENDED DECEMBER 31, 2007****(See accompanying Independent Auditors' Report)**

	2007 US\$
CASH FLOW FROM OPERATING ACTIVITIES:	
Net Income	(2,325)
Adjustments to reconcile net income to net cash provided by in operating activities:	
Depreciation	477
Prior period adjustments	3,173
Changes in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(92,748)
Decrease in Deposits	4,050
Decrease in accounts payable and accrued expenses	(42,450)
Decrease in Inventory	34,000
Due to related party	(106,296)
Total Adjustments	(199,794)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(202,119)
Cash Flows from Investing Activities :	—
Cash Flow from Financing Activities	
Members' contributions	110,000
NET CASH USED IN FINANCING ACTIVITIES	110,000
Net Increase (Decrease) in cash and cash equivalents	(92,119)
Cash and cash equivalents, at beginning of the year	106,843
Cash and Cash equivalents, at End of the year	14,724
Supplemental Disclosure for Cash flow Information	
Cash paid during the year for :	
Income taxes	1,202
Interest	1,027

The accompanying notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007**(See accompanying Independent Auditors' Report)****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

BIL GROUP LLC was organized on March 21, 2002 under the laws of the state of New York. The summary of significant accounting policies of **BIL GROUP LLC**, is presented to assist in understanding the Company's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

a) Business activity

The Company operates as a wholesale importer and distributor of clothing.

b) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash flows.

c) Revenue Recognition

For the purposes of financial reporting, revenue is recognized at the time of shipment of goods.

d) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for both financial reporting and tax purposes in accordance with accelerated methods in amounts sufficient to amortize the cost of the related assets over their estimated useful lives.

e) Income Taxes

No provision for Income taxes is made since the Company is treated as a limited liability company and the income or loss is passed through to the members. However the Company is liable for the minimum state and city income taxes.

f) Inventory

Inventory is valued on the basis of lower of cost or market using the first-in, first-out method. There is no inventory at December 31, 2007.

g) Use of Estimates

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

NOTE 2 ACCOUNTS RECEIVABLE

At December 31, the accounts receivable aged by the invoice dates consists of the following.

	2007 (US\$)
31-60	68,672
61-90	51,988
90 Days and Over	63,585
Total (US\$)	184,245

The entire accounts receivable has been realized as of the date of this report.

NOTE 3 PROPERTY AND EQUIPMENT

At December 31, property and equipment consists of the following :

Property and equipment	9,244
Less : Accumulated Depreciation	9,163
Total	81

NOTE 4 RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

The Company purchases a substantial portion of its merchandise from Bhartiya International Ltd. ("Bhartiya") and its affiliates which is the sole member of this LLC. 100 % of the purchases for the year ended December 31, 2007 are made from Bhartiya. This vendor has agreed to support the operations of this company in future too. Total accounts payable due

BIL GROUP LLC, N.Y.

to Bhartiya at December 31, 2007 aggregated to \$173,280 and is shown separately as due to related party. This amount is non interest bearing and due on demand.

NOTE 5 CONCENTRATION OF RISK

The company grants credit to the customers in the clothing industry. Consequently, the Company's ability to collect the amounts due from the customers is affected by economic fluctuations in the industry. So far the Company has not experienced any losses.

The Company at times, maintains balances in bank in excess of federally insured limits. These are significant concentration of risks, but the Company has not suffered any loss in this regards.

NOTE 6 COMMITMENT AND CONTINGENCIES

The Company does not have a lease commitment. The Company rents premises on a month to month basis.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and the audited financial statements of the Company for the period ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were that of design & product development, marketing and distribution of garments.

FINANCIAL RESULT

The result of the company's operations for the period ended 31st March, 2008 and the state of its affairs at that date are dealt with in the financial statements. The Directors do not recommend the payment of a dividend for the period ended 31st March, 2008.

DIRECTORS

Mr. Walter Willy Zwahlen held the office of directorship during the year.

Director

20th June, 2008

AUDITORS' REPORT

Report of Statutory Auditors
of the General Meeting of Ultima S.A., Auvèrnier

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Ultima S.A. for the period from 1st April, 2007 to 31st March, 2008.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statement submitted to you be approved.

Fiduciaire Erard

Christian Erard

Neuchâtel, 20th June, 2008.

ULTIMA S.A., SWITZERLAND**BALANCE SHEET AS AT 31ST MARCH, 2008**

	31.03.2008 CHF	31.03.2007 CHF
ASSETS		
Short Term Assets		
Bank accounts	311,420.27	318,923.55
Debtors Ultima Italia S.r.l.	2,242,183.32	2,757,838.58
Other debtors	216,792.58	-
Stock of goods	408,320.00	470,830.00
Transitional and other debtors	407.92	2,740.09
Total Short Term Assets	3,179,124.09	3,550,332.22
Fixed Assets		
Loan Ultima Italia S.r.l.	658,626.54	686,111.53
Investment Ultima Italia S.r.l.	138,612.00	138,612.00
Total Fixed Assets	797,238.54	824,723.53
TOTAL ASSETS	3,976,362.63	4,375,055.75
LIABILITIES AND EQUITY		
Current liabilities		
Creditors	61,175.68	79,496.04
Bank accounts	11,271.66	931,714.91
Current account Bhartiya International Ltd.	452,461.36	283,376.98
Transitional and other liabilities	45,800.00	82,636.40
Total Current Liabilities	570,708.70	1,377,224.33
Long Term Liabilities		
Provision for monetary risks	30,000.00	30,000.00
Total Long Term Liabilities	30,000.00	30,000.00
Total Liabilities	600,708.70	1,407,224.33
Equity		
Share Capital	1,000,000.00	1000,000.00
General Reserve	1,00,000.00	67,000.00
Retained Earnings	1,867,831.42	1,262,307.73
Net Income of the Year	407,822.51	638,523.69
Total Equity	3,375,653.93	2,967,831.42
TOTAL LIABILITES AND EQUITY	3,976,362.63	4,375,055.75

ULTIMA S.A., SWITZERLAND**INCOME STATEMENT**

	2007-2008	2006-2007
	CHF	CHF
Revenues		
Sales to foreign customers	6,388,481.91	8,075,903.21
Total Revenues	6,388,481.91	8,075,903.21
Merchandises costs		
Costs of goods	5,175,497.34	6,741,871.64
Carriage overheads	630.39	404.71
Variation of stock	62,510.00	186,218.00
Total Merchandises Costs	5,238,637.73	6,928,494.35
Other expenses		
Design and consultancy	459,917.67	343,978.30
Domiciliation and Directors	29,562.50	33,175.30
Audit and Lawyers	5,218.60	5,000.00
Travel Expenses	5452.42	6,607.87
Various Administration Overheads	1,097.00	346.70
Total Other Expenses	501,248.19	389,108.17
Result before Interests and Taxes	648,595.99	758,300.69
Financial Incomes and Charges		
Interests and bank fees(net)	118,961.20	181,701.67
Exchange rate difference	73,349.83	(129,234.17)
Total Financial Incomes and Charges	192,311.03	52,467.50
Result before Taxes	456,284.96	705,833.19
Federal tax	36,236.95	57,000.00
Canton and commune tax	12,225.50	10,309.50
Total Taxes	48,462.45	67,309.50
Net Income of the year	407,822.51	638,523.69

NOTES TO THE FINANCIAL STATEMENT AS AT 31ST MARCH, 2008.**Essential Investments**

Ultima Italia S.r.l.	138,612.00	138,612.00
(Share capital EUR 90,000) Interest of	100%	100%
No other mention required by art 663b Co.		

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	31.03.2008	31.03.2007
	CHF	CHF
Profit available to the Annual General Meeting		
Retained earnings at the beginning of the year	1,867,831.42	1,262,307.73
Net income	407,822.51	638,523.69
	2,275,653.93	1,900,831.42
Proposal of Board of Directors		
Attribution to general reserve	20,000.00	33,000.00
Carried forward	2,255,653.93	1,867,831.42
	2,275,653.93	1,900,831.42

AUDITOR'S REPORT

We have prepared the financial statements, which have been prepared as per the norms and accountability principles established in Italy.

The statement of accounts complies the information provided by you and also includes the adjustments and classifications as indicated by you, in accordance with Italian accountability standards and generally accepted accountability principles.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as 31st March, 2008 and of the results of its operation for the period ended on that date.

Dr. Enrico Cantoni
Commercialista
18th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

(Expressed in Euro)

	Notes	As at 31st March, 2008	As at 31st March, 2007
ASSETS			
Fixed Assets, net of depreciation	BI+BII	226,065	288,675
CURRENT ASSETS			
Inventories	CI	732,054	720,227
Accounts receivables	CII+D	911,015	1,027,664
Deposits	BIII	3,230	2,620
Cash at bank	CIV	27,343	239,481
Loss for the Period		38,989	30,475
TOTAL ASSETS		1,938,696	2,309,142
LIABILITIES			
Share capital	AI	90,000	90,000
Loan from holding co.	AVII	422,197	422,197
Loss the previous year	AVIII	-373,033	-342,555
Profit the previous year	AVIII	16,175	161,75
Profit for the period	IX	—	—
Bank Overdraft/Limit	D4	6,976	93,048
CURRENT LIABILITIES			
Accounts payable and accrued expenses	D7	1,624,015	1,906,203
Other creditors	B+C+D6+D12+D13+D14+E	152,366	124,074
TOTAL LIABILITIES		1,938,696	2,309,142

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Expressed in Euro)

	Notes	2007-2008	2006-2007
INCOME			
Sales	A	3,358,894	3,644,142
Deferred Taxes		—	—
TOTAL INCOME		3,358,894	3,644,142
COSTS AND EXPENSES			
Costs of goods sold	B6 - B11	2,354,992	2,631,223
Selling, general and administrative	B7+B8+B9+B12+B14	892,141	852,469
Depreciation	B10	97,698	103,142
Financial Charges	C	38,416	37,209
TOTAL COSTS		3,383,247	3,624,043
Taxes	22a	14,636	50,574
LOSS FOR THE YEAR	23	-38,989	-30,475
PROFIT FOR THE PERIOD		—	—
TOTAL		3,358,894	3,644,142

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR
ENDED ON 31st March, 2008**

PRELIMINARY REMARKS

Dear Members,

The balance sheet up to 31st March 2008 shows a loss of € 38.989 as compared to the loss of the order of € 30.475 in the previous year.

BUSINESS ACTIVITY

The Company's objects are: To design, plan, manufacture, distribute, represent and market all kinds of garments in any part of the world. In Italy, it is presently marketing furs and leather garments.

METHODS OF PREPARATION

The Current balance has been prepared in conformity with the provisions of the articles 2423 ff of the Civil Code as is evident by the Current Supplementary note, provided as per the provisions of the article 2427 of the Civil Code, which constitutes as per the provisions under article 2423, an integral part of the balance sheet.

The balance sheet has been prepared as a summary as per the requirements of article 2435 bis, first paragraph of the Civil Code. Going by the provisions of article 2435 bis, first paragraph of the Civil Code, the Company is exempted from drawing up a Report on Management integrating all the management-related information of relevance in the present notes or going by the provisions of the article 2428, second paragraph, item 3 and 4 of the Civil Code, it gives forth that the Company does not possess and has not acquired and/or sold during the financial year in question any shares of the parent company, even through the trust company or through an intermediary person.

ACCOUNTING POLICIES

The methods used for preparing the current balance sheet do not differ from the ones used for preparing the previous balance sheet, particularly in terms of continuity of the same principles to be applied for accounting.

Likewise, the balance sheet reflects the variations resulting from application of the new principles introduced by the Corporate reform vide D.lgs no. 6/2003.

The accounting and evaluation of the headings in the balance sheet has been done on the basis of generally accepted principle of prudence and accrual.

The application of the principle of prudence allows the individual evaluation of single components, the credit or debit entries or items, for avoiding counterbalancing entries of losses which must be recognized and profits that are not to be recognized in so far as not made.

In compliance with the principle of accrual accounting, the financial effect of the transactions and other events is recorded in the period in which these transactions or events occur rather than being recorded in the period in which the cash is received or paid (receipts and payments).

The continuity in the application of the accounting and evaluation methods over a period is necessary to render it possible to compare the balance sheets of the company in different financial years.

In particular, the accounting methods adopted for the preparation of balance sheet are as follows:

FIXED ASSETS

INTANGIBLE FIXED ASSETS

Intangible Fixed Assets are recorded at the historic cost of acquisition and are systematically reduced by depreciation over a period of time and imputed directly to single entries.

The installation and subsequent extension costs are reported as assets and are amortized in a period of 5 financial years as per Taxation Laws.

TANGIBLE ASSETS

Tangible Assets are recorded in the balance sheet at the historic cost of acquisition including the additional charges of direct allocation/imputation and adjusted to the respective accumulated depreciations.

At the closing date of the financial year it is not concluded that the value is considerably lower than the cost entered, therefore it is not rectified by an appropriate entry of depreciation.

The revaluations have not been undertaken during the financial year.

The depreciation attributed to the income statement is calculated in a systematic and consistent manner on the basis of the utility of an asset as agreed or allowed by law, however, taking into consideration the remaining possibility of utilization of assets.

The assets having a unitary value below € 516.46 were completely amortized in the accounting period of acquisition.

STOCKS

Raw materials, auxiliary materials and finished products are slated between the acquisition or manufacturing cost and the break-up value inferable from the market rate by applying the L.I.F.O. method.

CREDITS

Credits are determined at their presumed break-up value. Provision has been made as allowance for doubtful accounts receivable.

DEBITS

Debits are determined at their nominal value, modified in case of returns or adjustments in invoices. The Company has no debit items of over five years' duration.

LIQUIDITY POSITION

The banks are posted in terms of actual reserves available upon completing the reconciliation operations.

COSTS & RECEIPTS

Costs & Receipts are recorded in the balance sheet following the principle of prudence and competence taking into consideration the respective payables and accruals.

The receipts and returns, the costs and the charges are posted under net discount, allowances/rebates and premiums as well as direct taxes connected with the services.

METHODS OF CURRENCY CONVERSION

The credits and debits expressed originally in foreign currency are recorded on the basis of exchange rate operative on the day of commencement of their transactions, are brought in line with the exchange rate effective on the date of accounting.

INCOME TAX

The taxes are set aside following the principle of accrual accounting, these are reserves for taxes to be paid for the period as per the norms in force.

BUSINESS OPERATION

**EXTENT AND REASONS FOR DEPRECIATION OF INTANGIBLE ASSETS OF INDEFINITE DURATION
(n. 3 bis art. 2427 c.c.)**

In the course of the financial year, there was no attempt to proceed to devaluation of above-mentioned fixed assets.

VARIATIONS INTERFERING WITH OR AFFECTING THE CONSISTENCY OF OTHER ENTRIES OF BOTH ASSETS AND LIABILITIES (n. 4 art. 2427 c.c.)

During the financial year in question the variations in the entries of assets and liabilities have been verified.

The most relevant variations detected are expounded in the following.

CURRENT ASSETS

I. Stocks

Closing balance	732,054		
Opening balance	720,227		
Variation	11,827		
Final stock	Value year N. 0	Value N.+1	Variation
Raw Material	3,269	9,033	5,764
Goods	716,958	723,021	6,063
Total	<u>720,227</u>	<u>732,054</u>	<u>11,827</u>

The accounting policies adopted are clarified in the first part of the current notes.

II. Credits

Final balance	895,463		
Opening balance	1,011,046		
Variation	-115,583		
Credits payable within 12 months	Value year N. 0	Value N.+1	Variation
Accounts receivables within 12 months	839,201	813,744	-25,457
Credits for prepaid taxes within 1 month	101,250	13,243	-88,007
Other credits within 12 months	20,454	18,542	-1,912
Total Credits within 12 months	<u>960,905</u>	<u>845,529</u>	<u>-115,376</u>
Credits falling due after 12 months			
Advance taxes	49,934	49,934	—
Other receivables beyond 12 months	207	—	-207
Total beyond 12 months	<u>50,141</u>	<u>49,934</u>	<u>-207</u>
Total	<u>1,011,046</u>	<u>895,463</u>	<u>-115,583</u>

Classification of Credits (Clients) according to geographical areas

The countries mentioned indicate the client's registered office for the invoice purpose and not the real destination of the goods sold.

Countries	Balance on 31.03.08
Italian clients	355,511
EU clients	9,639
Clients other than EU	448,594
Total	<u>813,744</u>

ULTIMA ITALIA S.r.l., ITALY

III. Allowance for doubtful accounts receivable included in current assets and liquidity position

Provision for bad debts

Closing balance	3,400	
Opening balance	3,400	
Variation	—	
Credit risk fund opening balance		3,400
Increase in share/charge		—
Decrease in utilization		—
Credit risk fund closing balance		<u>3,400</u>

IV. Liquidity position

Closing balance	27,343		
Opening balance	239,481		
Variation	-212,138		
	Value year N. 0	Value N.+1	Variation
Bank	228,183	22,981	-205,202
Cash	11,298	4,362	-6,936
Total	<u>239,481</u>	<u>27,343</u>	<u>-212,138</u>

LIABILITIES

A) NET EQUITY

ENTRIES OF NET EQUITY AND RELATIVE MOVEMENT, UTILIZATION AND DISTRIBUTION (n. 7-bis art. 2427 c.c.)

Closing balance	116,348		
Opening balance	155,342		
Variation	-38,994		
Net equity	Value year N. 0	Value N.+1	Variation
Capital	90,000	90,000	—
Legal reserves	—	—	—
Other reserves	422,200	422,195	-5
Earnings/losses carried forward	-326,383	-356,858	-30,475
Profit/loss in the financial year	-30,475	-38,989	-8,514
Total	<u>155,342</u>	<u>116,348</u>	<u>-38,994</u>

The Corporate Capital is formed as follows:

90,000 shares of € 1 each.

It may be appropriate to show in the following the source, the possibility of utilization and itemization of net equity.

Nature	Amount	Possibility of utilization	Share available
Capital Reserves			
- Corporate capital	90,000	B	
- Financing c/capital	422,197	AB	
Profit Reserves			
- Legal	—	B	
- Rounding off euro	-2		
Profit/loss carried forward	-356,858		
Profit/loss for the year	-38,989		
Total	<u>116,348</u>		

ULTIMA ITALIA S.r.l., ITALY

possibility of utilization of reserves

A = Increase in capital

B = Loss coverage

C = Liquidation

C) Employees' severance indemnity fund

Closing balance	65,381	
Opening balance	47,248	
Variation	18,133	
TFR opening balance		47,248
Increment in amount		18,747
Decrement in use of fund		-482
Decrement in use/substitute tax		-132
TFR closing balance		65,381

D) Debits

Closing balance	1,700,815
Opening balance	2,063,123
Variation	-362,308

Accounts payable within 12 months	Value year N. 0	Value year N.+ 1	Variation
To banks	81,188	—	-81,188
To suppliers	1,906,203	1,624,015	-282,188
To treasury (tax)	5,787	11,174	5,387
To social security agencies	6,486	7,820	1,334
To others	51,599	50,830	-769
Total within 12 months	2,051,263	1,693,839	-357,424
Account payable after 12 months			
To banks	11,860	6,976	-4,884
Total after 12 months	11,860	6,976	-4,884
Total	2,063,123	1,700,815	-362,308

Classification of debits (suppliers) according to geographical areas

The countries mentioned indicate the supplier's registered office.

Countries	Balance as on 31.03.08
Suppliers ITALY	126,679
Suppliers NON-EU	1,496,532
Suppliers EU	804
Total	1,624,015

INCOME STATEMENT

A) Value of production

Year N. + 1	3,350,514		
Year N. 0	3,644,142		
Variation	-293,628		
Value of production	Value year N. 0	Value year N. + 1	Variation
Sale of goods & services	3,633,617	3,339,174	-294,443
Other receipts and gains	10,525	11,340	815
Total	3,644,142	3,350,514	-293,628

ULTIMA ITALIA S.r.l., ITALY

B) Cost of production

Year N.+ 1	3,344,831
Year N. 0	3,586,834
Variation	-242,003

	Value year N.0	Value year N. + 1	Variation
Costs of production			
Raw materials and goods	2,785,748	2,366,819	-418,929
Expenditure services	471,959	466,958	-5,001
Cost of use of others' assets	79,683	51,768	-27,915
Personnel cost	288,088	356,698	68,610
Ammortization and depreciation	103,142	97,698	-5,444
Variation in stock	-154,525	-11,827	142,698
Funds/reserves to cover risks	3,671	4,370	699
Miscellaneous operating costs	9,068	12,347	3,279
Total	3,586,834	3,344,831	-242,003

Costs of raw materials, merchandise as well as services. They are closely related to point A (value of production) of the Income Statement.

Personnel costs

This entry refers to the entire expenditure for the personnel including performance improvement, change of category, age compensations, cost of holiday leave not taken, compulsory reserves and collective contracts.

Depreciation of Tangible Assets

As regards depreciation, it may be stated that these costs have been calculated on the basis of useful duration of asset and its use in the operative phase.

Other operating costs

Year N. + 1	12,347
Year N. 0	9,068
Variation	3,279

	Value year N.0	Value year N. + 1	Variation
Taxes and duties	683	683	—
Taxes on property and cars	1,123	1,457	334
Tax-deductible	1,688	1,688	—
Approvals	1,039	1,980	941
Registry dues & stamp charges	1,243	4,092	2,849
Loss on credits	1,011	—	-1,011
Losses on disposal of assets	1,054	—	-1,054
Agent's costs	395	—	-395
Contingencies indeductible	—	1,172	1,172
membership fees	752	752	—
Others	80	523	443
Total	9,068	12,347	3,279

C) Revenues and charges

Year N. + 1	-38,416
Year N. 0	-37,209
Variation	-1,207

	Value year N.0	Value year N. + 1	Variation
Revenues and charges			
Proceedes	5,069	5,554	485
Interest and charges	-36,351	-31,802	4,549
Profit/loss on exchanges	-5,927	-12,168	-6,241
Total	-37,209	-38,416	-1,207

ULTIMA ITALIA S.r.l., ITALY

Financial Revenues and Charges

	Value year N.0	Value year N. + 1	Variation
Financial Revenues			
Interest receivable	4,175	5,028	853
Interest receivable from bank	894	526	-368
Total Financial Revenues	5,069	5,554	485
Interest and other charges			
Interest paid c/c	-35,883	-31,206	4,677
Interest payable	-468	-596	-128
Total Interest and Charges	-36,351	-31,802	4,549
Profit/Loss on exchange			
Profit on exchange	4,954	2,250	-2,704
Loss on exchange	-10,881	-14,418	-3,537
Total profit/loss on exchange	-5,927	-12,168	-6,241
Total Financial Income & Expenses	-37,209	-38,416	-1,207

Corporate Taxes

	Value year N.0	Value year N. + 1	Variation
Current Taxes			
IRAP	19,357	14,636	-4,721
IRES	31,217	—	-31,217
Total	50,574	14,636	-35,938

SUPPLEMENTARY INFORMATION

EXTENT AND REASONS FOR DEPRECIATION OF INTANGIBLE ASSETS (n. 3 bis art. 2427 c.c.)

In the course of the financial year there was no depreciation of above-mentioned fixed assets.

LIST OF INVESTMENTS EITHER DIRECT OR VIA TRUST COMPANY OR THROUGH AN INTERMEDIARY PERSON, IN PARENT OR ASSOCIATE ENTERPRISES (n. .5 art. 2427 c.c.)

The company does not hold any investments referred to above.

CREDIT AND DEBIT FIGURES OF A RESIDUAL TERM OVER FIVE YEARS AND FIGURES OF DEBITS SUPPORTED BY REAL GUARANTEES OF SOCIAL BENEFITS INDICATING SPECIFIC DETAILS OF THE GUARANTEES (n. 6 art. 2427 c.c.)

The company does not show credit or debit entries of a residual term over five years.

POSSIBLE SIGNIFICANT EFFECTS OF VARIATIONS IN CURRENCY VALUE SUBSEQUENTLY VERIFIED AT THE CLOSING (n. 6 bis art. 2427 c.c.)

There are no significant effects of variations in exchange rate verified subsequently at the closing of the financial year.

CREDIT AND DEBIT FIGURES PERTAINING TO OPERATIONS ENVISAGING OBLIGATION OF FIXED TERM RETROCESSION ON THE PART OF THE HOLDER OR PURCHASE AGENT (n. 6 ter art. 2427 c.c.)

As on 31.12.2007 the company does not have in existence debits or credits connected to operations that make it mandatory on the part of the holder or purchase agent to forward yield up.

ULTIMA ITALIA S.r.l., ITALY

FIGURES OF FINANCE CHARGES APPLIED IN THE FINANCIAL YEAR TO VALUES ENTERED IN THE ASSETS, SEPARATELY FOR EACH ITEM (n. 8 art. 2427 c.c.)

Finance charges have not been applied to values entered in assets.

INCOME EMANATING FROM INVESTMENTS OTHER THAN DIVIDENDS (n. 11 art. 2427 c.c.)

Non sono stati riscossi proventi a tale titolo. Revenues of this category have not been collected.

NUMBER AND CHARACTERISTICS OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY INDICATING PATRIMONIAL AND PARTICIPATORY RIGHTS (n. 19 art. 2427 c.c.)

The company has not issued in this accounting period any financial instrument.

FINANCING PROVIDED BY THE MEMBERS TO THE COMPANY, ALLOCATED FOR REASONS OF EXPIRY AND MARKED SPECIFICALLY IN CASE OF A DEFERMENT CLAUSE VIS-A-VIS OTHER CREDITORS (n. 19 bis art. 2427)

The company does not have debts towards members.

OPERATIONS OF FINANCE LEASE THAT TRANSFER TO THE LESSEE THE MAJOR PART OF THE RISKS AND THE BENEFITS PERTAINING TO ASSETS (n. 22 art. 2427 c.c.)

The company does not have any financial lease in operation.

ADDITIONAL INFORMATION

MANAGEMENT FEE

In accordance with legal provisions the management fee of the order of Euro 24.936 was disbursed.

The present balance sheet, comprising Statement of financial position, Income statement and Supplementary note, truly and correctly represent the state of affairs in terms of equity and finances as well as income in the accounting period and correspond to the accounting entries.

(NIKHIL AGGARWAL)

Director

AUDITORS' REPORT

To
The Directors of
Bhartiya International Ltd.

1. We have audited the attached consolidated balance sheet of Bhartiya International Ltd. and its subsidiary companies as on 31st March, 2008, and also the consolidated profit and loss account for the year ended on that date annexed thereto and the consolidated cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 391,177,270/- as at 31st March, 2008 and Rs 414,132,272/- as at 31st March 2007 and a total revenues of 571,961,194/- for the year ended 31.03.2008 and Rs 411,272,452/- for the year ended 31.03.2007. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements, have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23 "Accounting for Investments in Associates in Consolidated financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Bhartiya International Ltd. and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Bhartiya International Limited and its aforesaid subsidiaries, we are of the opinion that:
 - a. The consolidated balance sheet gives a true and fair view of the consolidated state of affairs of Bhartiya International Limited and its subsidiaries as at 31st March, 2008.
 - b. The consolidated profit and loss account gives a true and fair view of the consolidated results of operations of Bhartiya International Limited and its subsidiaries for the year then ended.
 - c. The consolidated cash flow statement gives a true and fair view of the consolidated cash flows of M/S Bhartiya International Limited and its subsidiaries for the year then ended.

For **SUSHIL PODDAR & CO.**
Chartered Accountants

(S.K.Poddar)

Prop.

M. No. 94479

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
		Rs.		Rs.	
SOURCES OF FUND					
Shareholder's Funds					
Share Capital	1	78,638,480		72,788,480	
Advance Subscription	2	—		14,350,000	
Share Subscription Money		—		52,650,000	
Reserves and Surplus	3	877,875,533	956,514,013	755,749,789	895,538,269
Loan Funds					
Secured Loan	4		499,370,177		597,838,608
Unsecured Loans	5		—		200,000,000
Deferred Tax Liability (Net)			2,945,342		9,262,350
			1,458,829,532		1,702,639,227
APPLICATION OF FUND					
Fixed Assets					
Gross Block	6	291,820,709		285,922,818	
Less Depreciation		124,368,258		106,737,352	
Net Block		167,452,451		179,185,466	
Add Capital Work In Progress		63,564,779		3,798,927	
			231,017,230		182,984,393
Investments	7		488,293,629		432,986,236
Current Assets, Loans & Advances					
Inventories	8	435,985,316		345,504,363	
Sundry Debtors	9	156,327,212		169,883,464	
Cash & Bank Balances	10	86,999,804		303,520,190	
Loans & Advances	11	294,988,983		557,893,310	
		974,301,315		1,376,801,327	
Less Current Liabilities & Provisions					
Current Liabilities	12	197,635,305	41,657,837	239,293,142	
Provisions	13	37,291,537		51,001,812	
		234,926,842		290,294,954	
Net Current Assets			739,374,473		1,086,506,373
Miscellaneous Expenditure	14		144,200		162,225
			1,458,829,532		1,702,639,227
Notes on accounts and Significant Accounting Policies	22				
Schedule referred to above form an integral part of the Balance sheet					

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepthi Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31ST MARCH, 2008**

DESCRIPTION	SCHEDULE	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
INCOME			
Sales		1,529,613,786	1,448,701,511
Export Incentives		101,608,320	68,076,768
Other Income	15	33,303,228	21,702,173
Increase/(Decrease) in Stock	16	(23,766,073)	38,535,502
		<u>1,640,759,261</u>	<u>1,577,015,954</u>
EXPENDITURE			
Raw Material Consumption	17	598,512,251	496,013,477
Purchase For Resale		355,786,632	481,240,093
Manufacturing Expenses	18	202,962,201	154,935,309
Personnel Expenses	19	65,962,835	58,733,000
Admn. & Selling Expenses	20	255,516,591	259,559,638
Financial Expenses	21	41,187,591	34,886,737
Depreciation		18,987,300	19,585,118
		<u>1,538,915,401</u>	<u>1,504,953,372</u>
Profit before Taxes		101,843,860	72,062,582
Provision for Taxes			
- Income Tax		27,072,043	21,004,331
- Deferred Tax		(6,317,008)	565,985
- Fringe Benefits Tax		3,084,074	2,589,496
Profit for the year		78,004,751	47,902,770
Less : Share of Loss of Associate		14,149,682	8,292,714
Net Profit for the year		63,855,069	39,610,056
Balance brought Forward		392,112,977	403,316,331
Less : Dividend on fresh equity issued		—	750,000
Dividend Tax on the above		—	105,187
Balance available for appropriation		455,968,046	442,071,200
APPROPRIATIONS			
Proposed Dividend		11,795,772	11,795,772
General Reserve		10,754,172	11,157,760
Debenture Redemption Reserve		10,000,000	25,000,000
Provision for Dividend Tax		2,004,691	2,004,691
Surplus carried to Balance Sheet		421,413,411	392,112,977
Earnings Per Share (face value of Rs. 10 each)			
- Basic		8.12	5.81
- Diluted		8.12	5.68
(Refer to Note No. 15 on schedule22)			
Notes on accounts and Significant Accounting Policies	22		

Schedule referred to above form an integral part of the Balance sheet

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepthi Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR
ENDED 31ST MARCH, 2008**

	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extra Ordinary Items	101,843,860	72,062,582
Adjusted for :		
Depreciation	18,987,300	19,585,118
Financial expenses (net)	41,187,591	34,886,737
Preliminary Expenses incurred	—	(180,250)
Preliminary Expenses Written off	18,025	18,025
Dividend Income	(8,342,458)	(10,101,289)
Loss/(Profit) on sale of fixed assets	640,215	(3,860,600)
Profit on sale of Investments	(18,766,392)	(11,034,952)
	33,724,281	29,312,789
Operating profit before working capital changes	135,568,141	101,375,371
Adjustment for :		
Inventories	(90,480,953)	(7,124,710)
Sundry Debtors	13,556,252	(84,984,227)
Loans and Advances	239,150,711	(83,296,354)
Sundry Creditors	(41,626,565)	118,897,556
	120,599,445	(56,507,735)
Cash generated from operations	256,167,586	44,867,636
Taxes (paid) / Refunded (Net)	(20,112,776)	(33,451,448)
Currency Fluctuation Reserve on Consolidation	10,921,138	(2,903,138)
Financial expenses (net)	(41,187,591)	(34,886,737)
Cash flow before extra-ordinary items	205,788,357	(26,373,687)
Extra Ordinary Items	—	—
NET CASH FROM OPERATING ACTIVITIES	205,788,357	(26,373,687)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale/Purchases of Investments (Net)	(50,690,683)	(40,754,702)
Dividend Received	8,342,458	10,101,289
Share Application Money Paid	—	(202,300,000)
Sale of Fixed Assets	361,921	6,701,694
Purchase of fixed assets/Capital W.I.P.	(68,022,273)	(16,785,428)
NET CASH USED IN INVESTMENT ACTIVITIES	(110,008,577)	(243,037,147)

BHARTIYA INTERNATIONAL LTD.**CONSOLIDATED CASH FLOW STATEMENT (CONTD.)**

	CURRENT YEAR	PREVIOUS YEAR
	Rs.	Rs.
C.CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loan	(98,468,431)	252,638,535
Unsecured Loan	(200,000,000)	—
Share Capital Issue Proceeds (Including Share Premium)	58,500,000	135,000,000
Advance Subscription Received	(5,850,000)	3,500,000
Share Subscription Money Received	(52,650,000)	52,650,000
Dividend paid (including dividend tax)	(13,831,735)	(11,621,232)
NET CASH USED IN FINANCING ACTIVITIES	(312,300,166)	432,167,303
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	(216,520,386)	162,756,469
CASH AND CASH EQUIVALENTS - OPENING BALANCE	303,520,190	140,763,723
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	86,999,804	303,520,190

As per our report of even date attached
for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepti Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008

BHARTIYA INTERNATIONAL LTD.**CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULES TO THE ACCOUNTS**

DESCRIPTION	CURRENT YEAR		PREVIOUS YEAR	
	Rs.		Rs.	
SCHEDULE 1 : SHARE CAPITAL				
i) Authorised				
1,20,00,000 (Previous Year 120,00,000)				
equity shares of Rs. 10/-each	120,000,000		120,000,000	
5,00,000 (Previous Year 5,00,000)				
Preference shares of Rs. 100/-each	50,000,000		50,000,000	
	170,000,000		170,000,000	
ii) Issued, Subscribed and Paid up				
78,63,848 (Previous Year 72,78,848)				
equity shares of Rs.10/- each fully paid.				
Of these :	78,638,480		72,788,480	
a) 5,85,000 (Previous Year 5,00,000) equity shares of Rs. 10/- each have been allotted during the year, at a premium of Rs. 90/- per share to the Promoter and their Associate Companies on conversion of Preferential Share Warrants.				
b) 20,89,308 equity shares of Rs. 10/- each were allotted as bonus shares by capitalisation the General Reserve	78,638,480		72,788,480	
SCHEDULE 2 : ADVANCE SUBSCRIPTION				
a) 585,000 Preferential Share Warrant paid up Rs. 10/- each	—		5,850,000	
b) 500,000 Preferential Share Warrant paid up Rs. 17/- each	—		8,500,000	
	—		14,350,000	
SCHEDULE 3 : RESERVES & SURPLUS				
1 General Reserve				
As per last Balance Sheet	129,687,958		118,530,198	
Add : Transferred from Profit & Loss A/c	10,754,172	140,442,130	11,157,760	129,687,958
2 Capital Reserve				
As per last Balance Sheet	2,645,600		2,645,600	
		2,645,600		2,645,600
3 Share Premium A/c				
As per last year Balance Sheet	200,915,000	—	75,915,000	—
Add : Additions during the year on fresh issue of Shares	52,650,000	253,565,000	125,000,000	200,915,000
4 Debenture Redemption Reserve				
As per last year Balance Sheet	33,500,000		8,500,000	
Add: Transferred from Profit & Loss A/c	10,000,000	43,500,000	25,000,000	33,500,000
5 Surplus in Profit & Loss a/c		421,413,411		392,112,977
6 Currency Fluctuation Reserve on Consolidation-Opening Balance	(3,111,746)		(208,608)	
Less: During the Year	10,921,138	7,809,392	(2,903,138)	(3,111,746)
7 Preferential Share Warrant Forfeited *		8,500,000		—
		877,875,533		755,749,789

* 500,000 Preferential share warrants were forfeited during the year due to non payment of balance amount payable on conversion

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 4 : SECURED LOANS		
Term Loan	18,539,705	—
Loan from Bank- Vehicles	2,512,435	2,463,384
Working Capital Loans from Banks	330,830,472	295,375,224
Debenture	150,000,000	300,000,000
15,00,000- 9.00% privately placed Secured Redeemable Non Convertible Debentures of Rs.100/-each to be redeemed on 24-05-2008	499,370,177	597,838,608
SCHEDULE 5 : UNSECURED LOANS		
From Others	—	200,000,000
	—	200,000,000

SCHEDULE 6: FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	ORIGINAL COST	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	AS ON 31.03.08	UP TO 31.03.07	FOR THE YEAR	SALES ADJUST- MENT	UPTO 31.03.08	AS AT 31.03.08	AS AT 31.03.07
Land	23,169,997	—	—	23,169,997	916,535	101,837	—	1,018,372	22,151,625	22,253,462
Building	87,958,471	—	—	87,958,471	22,906,722	2,785,982	—	25,692,704	62,265,767	65,051,749
Machinery	60,359,776	720,567	625,000	60,455,343	28,261,919	3,606,781	430,042	31,438,658	29,016,685	32,097,857
Vehicle	32,226,239	1,616,496	1,733,530	32,109,205	13,250,316	2,785,955	926,352	15,109,919	16,999,286	18,975,923
Furniture & Fixtures	28,656,207	3,300,752	—	31,956,959	12,654,130	3,950,584	—	16,604,714	15,352,245	16,002,077
Office Equipment	13,939,527	1,043,967	—	14,983,494	5,146,825	671,141	—	5,817,966	9,165,528	8,792,702
Computer	14,430,785	1,403,819	—	15,834,604	8,969,852	1,575,409	—	10,545,261	5,289,343	5,460,933
Goodwill	25,181,816	170,820	—	25,352,636	14,631,053	3,509,611	—	18,140,664	7,211,972	10,550,763
TOTAL	285,922,818	8,256,421	2,358,530	291,820,709	106,737,352	18,987,300	1,356,394	124,368,258	167,452,451	179,185,466
Previous Year	272,193,563	18,140,204	4,410,949	285,922,818	88,722,090	19,585,118	1,569,856	106,737,352	179,185,466	183,471,473

SCHEDULE 7: INVESTMENT

a) Government Securities	6,500	6,500
Trade Investments-Long Term (Unquoted at cost)		
a) Capital in Firm " Bhartiya Prakash Leathers"	50,000	50,000
b) Investment in Associate Company#		
Equity Shares	257,557,604	271,707,286
Preferene Shares	119,960,000	—
	377,567,604	271,757,286
Non Trade Investments		
Long -Term (Quoted)		
Mutual Fund & Other marketable Securities	55,579,083	142,170,430
Current Investments (Quoted)		
Equity Shares	55,140,442	19,052,020
	110,719,525	161,222,450
GROSS TOTAL	488,293,629	432,986,236

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
#Particulars of Investment in associate company		
Name of Associate Company		
Bhartiya Urban Infrastructure & Land Development Co Pvt Ltd	29.60%	40%
Cost of acquisition	280,000,000	280,000,000
Share of post acquisition reserves & surplus	22,442,396	8,292,714
Carrying Value	<u>257,557,604</u>	<u>271,707,286</u>
SCHEDULE 8: INVENTORIES		
Stock in trade (Valued at Cost or Market price whichever is lower & as certified by the management)		
1 Raw Materials	330,845,287	216,598,261
2 Finished Goods	105,140,029	128,906,102
	<u>435,985,316</u>	<u>345,504,363</u>
SCHEDULE 9: SUNDRY DEBTORS		
1 Unsecured and considered good	156,327,212	169,883,464
	<u>156,327,212</u>	<u>169,883,464</u>
SCHEDULE 10: CASH & BANK BALANCES		
1 Cash In Hand	3,878,237	3,331,214
2 Balances with Bank :		
- In Current Account	50,963,936	273,739,293
- In Fixed Deposit	30,694,403	24,945,280
3 Share Application Money	2,095	3,020
4 Dividend Account	1,461,133	1,501,383
	<u>86,999,804</u>	<u>303,520,190</u>
SCHEDULE 11: LOANS & ADVANCES		
(Unsecured , considered good unless otherwise stated)		
1 Advances for immovable property	7,300,000	7,352,500
2 Advances Recoverable in cash or in kind or for value to be received	257,073,345	495,642,853
3 Tax Deducted at Source & Advance Taxes	19,753,560	43,507,176
4 Advances to Staff	2,744,643	2,715,342
5 Security Deposit	5,801,797	5,709,112
6 Prepaid Expenses	2,315,638	2,966,327
	<u>294,988,983</u>	<u>557,893,310</u>
SCHEDULE 12: CURRENT LIABILITIES		
1 Acceptances	16,462,267	40,107,707
2 Sundry Creditors	134,954,192	146,664,529
3 Other Liabilities	37,421,328	45,646,842
4 Temporary Bank Overdraft	7,338,483	5,383,757
5 Share Application Money Refundable	4,120	4,120
6 Unpaid Dividend	1,454,915	1,486,187
	<u>197,635,305</u>	<u>239,293,142</u>

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 13: PROVISIONS		
1 Proposed Dividend	11,795,772	11,795,772
2 Income Tax/Wealth Tax	23,491,074	37,201,349
3 Dividend Tax	2,004,691	2,004,691
	<u>37,291,537</u>	<u>51,001,812</u>
SCHEDULE 14: MISC. EXPENDITURE		
(To the extent not written off /or adjusted)		
Preliminary Expenses -Opening Balance	162,225	-
Incurred during the year	-	180,250
Less Written off during the year	18,025	18,025
	<u>144,200</u>	<u>162,225</u>
SCHEDULE 15: OTHER INCOME		
1 Other Income	6,194,378	565,932
2 Dividend Income	8,342,458	10,101,289
3 Profit on sale of investment	18,766,392	11,034,952
	<u>33,303,228</u>	<u>21,702,173</u>
SCHEDULE 16: INCREASE/DECREASE IN STOCK		
Opening Stock (Finished Goods)	128,906,102	90,370,600
Closing Stock (Finished Goods)	105,140,029	128,906,102
(Decrease) / Increase in Stock	<u>(23,766,073)</u>	<u>38,535,502</u>
SCHEDULE 17: RAW MATERIAL CONSUMPTION		
Opening Stock	216,598,261	248,009,053
Add: Purchases	712,759,277	464,602,685
	<u>929,357,538</u>	<u>712,611,738</u>
Less: Closing Stock	330,845,287	216,598,261
Raw Material Consumption	<u>598,512,251</u>	<u>496,013,477</u>
SCHEDULES 18: MANUFACTURING EXPENSES		
1 Job work/ Fabrication charges	171,095,897	137,913,676
2 Wages	1,472,551	1,050,471
3 Freight & Cartage	19,429,222	7,344,882
4 Other Manufacturing Expenses	10,964,531	8,626,280
	<u>202,962,201</u>	<u>154,935,309</u>
SCHEDULE 19: PERSONNEL EXPENSES		
1 Salary, Allowances & Bonus	59,633,941	52,005,347
2 Welfare Expenses	4,735,798	5,043,306
3 Contribution to Provident & Other fund	1,593,096	1,684,347
	<u>65,962,835</u>	<u>58,733,000</u>

BHARTIYA INTERNATIONAL LTD.**SCHEDULES' (CONTD.)**

DESCRIPTION	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
SCHEDULE 20: ADMINISTRATIVE & SELLING EXPENSES		
1 Rent	9,508,189	10,497,351
2 Travelling	30,432,000	39,392,695
3 Power & Fuel	10,069,536	9,311,580
4 Insurance	2,886,007	4,001,143
5 Freight Outward	63,900,846	63,804,023
6 Commission, Brokerage & Discount	26,448,994	33,567,626
7 Repair & Maintenances	10,506,849	7,827,957
8 Miscellaneous Expenses	37,360,426	34,691,484
9 Communication Cost	8,284,497	7,963,117
10 Consultancy Charges	39,157,078	38,855,390
11 Rates, Taxes & Duties	7,380,666	6,148,165
12 Auditors Remuneration	744,349	710,460
13 Loss on sale of fixed assets	640,215	(3,860,600)
14 Directors Meeting Fees	96,000	65,500
15 Packing Expenses	8,082,914	6,565,722
16 Preliminary Expenses Writtenoff	18,025	18,025
	<u>255,516,591</u>	<u>259,559,638</u>
SCHEDULES 21: FINANCIAL EXPENSES		
1 Interest -Net	36,747,598	20,704,055
2 Other Financial Charges	19,319,021	20,535,775
3 Foreign Exchange Fluctuation - Net	(14,879,028)	(6,353,093)
	<u>41,187,591</u>	<u>34,886,737</u>

SCHEDULES' (CONTD.)**CONSOLIDATED FINANCIAL STATEMENT- SCHEDULES FORMING
PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008****SCHEDULE No 22 : NOTES TO ACCOUNTS****1. SUBSIDIARIES**

The consolidated Financial statements present the consolidated accounts of Bhartiya International Ltd. with its following subsidiaries:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership	Year Ending	Audited By
Indian Subsidiary				
Bhartiya Global Marketing Ltd.	India	100%	31.03.2008	Sushil Poddar & Co
J&J Leather Enterprises Ltd.	India	100%	31.03.2008	Padmanabhan,Ramani & Ramanujam
Bhartiya International Sez Ltd.	India	100%	31.03.2008	Sushil Poddar & Co
Foreign Subsidiaries				
World Fashion Trade Ltd.	Mauritius	100%	31.12.2007	Phillip C.C Hau & Co.
Merix XXI S L	Spain	100%	31.12.2007	Gesdocument Y Gestion, S.A.
BIL Group LLC	USA	100%	31.12.2007	S. Grover & Co., LLC
Ultima S.A.	Switzerland	100%	31.03.2008	Fiduciaire Erard
Ultima Italia SRL	Italy	100%	31.03.2008	Dr. Enrico Cantoni

- 2** (i) Significant Accounting Policies and notes to these Consolidated Financial statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures.
- (ii) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and , the Accounting standards issued by the Institute of Chartered Accountants of India.
- (iii) The Financial statements of the Parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after elimination of intra-groups transactions and unrealised profits subject to non-elimination of transactions due to timing differences of overseas subsidiaries referred in note no 5

3 SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Accounting**

The Financial statements have been prepared under historical cost convention on an accrual basis using accounting policies of the parent company unless otherwise stated.

b) Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of duties , taxes and incidental expenses related to acquisition . In respect of projects involving construction , related pre-operational expenses form part of the value of assets capitalised. Interest on borrowings and other financing costs during the period of construction/ acquisition is added to the cost of fixed assets. Goodwill acquired in an acquisition of business are valued at the acquisition cost and amortised over their useful life.

c) Depreciation

Depreciation on fixed assets is calculated on straight line method in accordance with the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of the lease . Depreciation on assets at the overseas subsidiaries are as per the rates applicable based on estimated useful life of the asset. Depreciation on fixed assets of the Subsidiary Company J&J Leather Enterprises Ltd has been calculated on WDV method as per rates specified in Schedule XIV of the Companies Act, 1956.

SCHEDULES' (CONTD.)**d) Investment**

All long term investments are stated at cost .Provision is made for any diminution in value considered permanent.

e) Inventories

- Raw materials and consumables have been valued at cost.

- Finished goods are valued at lower of cost or net realisable value. Cost is determined as per the absorption costing method .

f) Foreign Exchange Transactions

Individual Companies

a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

b) Current Assets and Current Liabilities at the year end , outstanding in foreign currency, are converted at the year end rates .

c) Investments in Overseas Subsidiary is carried at the original rupee cost .

d) In respect of transactions at the overseas offices, i) revenue expenditure and income during the year are converted into Indian Rupees at the average rate prevailing during the year . ii) Fixed assets acquired are accounted for at the actual exchange rate prevailing at the time of acquisition. iii) Current Assets and Liabilities are translated at the rate prevailing on the last working day of the year. iv) Balances of the Head Office account appearing in Foreign Currency in branch books are translated at corresponding rupee balance appearing in the Head Office books.

e) All gains /losses on conversion are charged to profit and loss account.

For Consolidation

For the purpose of consolidation , the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated into Indian Rupees at the following rates of exchange :

a) Average rates for income and expenditure.

b) Year end rates for assets and liabilities.

The foreign exchange gain / loss on account of income and expenditure consolidation is included in the profit and loss account ,and foreign exchange fluctuation gain/loss on account of consolidation of assets and liabilities of subsidiaries is transferred to currency fluctuation reserve account.

g) Retirement Benefits

The employer's contribution to the employees provident fund is charged to the profit and loss account during the year. The gratuity liability is provided as per the actuarial valuation on the fund maintained at the Ing Vysya Life Insurance Group Gratuity Sheme. Provision is made for value of unutilised leave due to employees at the end of the year.

h) Miscellaneous Expenses

In terms of the Accounting Standard 26 - Intangible Assets issued by the Institute of Chartered Accountants of India expenditure incurred during the year on brand and overseas market development are charged to the Profit and Loss account

i) Taxation

Provision for tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent periods.

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

i) Government Grants

Grants received from the Government which are in the nature of promoters contribution, and are with reference to the total investment without any liability for repayment , are treated as capital reserve.

k) Impairment of Assets

Where there is a indication that an asset is impaired , the recoverable amount , if any , is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

l) Provisions Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard -29 (Provisions, Contingent Liabilities and Contingent Assets) , Issued by the Institute of Chartered Accountants of India, provisions are recognised in the accounts in respect of present probable obligations,the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company .

4 CONTINGENT LIABILITIES NOT PROVIDED FOR

	Current Year Rs.	Previous Year Rs.
1. – Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	5,083,250	1,120,000
– Operating Lease Commitment		957,172
2. Contingent liabilities not provided for		
a) Letter of Credit Outstanding -	156,830,694	117,222,423
b) Standby Letter of Credit (SBLC) issued by companies bankers in favor of the bankers of its subsidiaries		
– Ultima Italia SRL	40,680,500	40,680,500
– Ultima S. A.	59,346,000	59,346,000
– WFT Ltd, Hongkong	15,309,000	15,309,000
c) Bills discounted with banks -	76,741,562	63,692,283
d) Other Guarantee given by bank -with Corporation Bank	100,000	100,000
e) Corporate Guarantee given by the company to a bank against facilities granted by that bank to its Wholly Owned Subsidiaries :		
J & J Leather Enterprises Ltd.	55,000,000	30,000,000
Ultima Italia Srl	-	35,132,500
f) Income tax matters under dispute	12,269,295	12,225,791

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

5 As a result of timing difference of the financial statements of the overseas subsidiaries, the following inter -group balances/ transactions could not be eliminated and hence appear in the consolidated figures:

	Current Year Rs.	Previous Year Rs.
i) Purchases	–	1,686,706
ii) Advances	895,326	17,663,557
iii) Loans	–	6,839,040
iv) Debtors	–	182,495
v) Creditors	3,044,820	13,342,994
vi) Amount Received from company under Liquidation	–	11,070,351

6. i) Working Capital facilities are secured against hypothecation of stocks of raw - materials, stock in process , finished goods, specified immovable property, plant and machinery, lien on fixed deposits , exports bills and personal guarantees of two Directors.
- ii) Term Loans are secured by charge on machinery purchased out of term loans.
- iii) Foreign documentary bills discounted with Banks have been shown as a contingent liability. The same are secured against the export bills and the personal guarantees of Directors.
- iv) Vehicle Loans are secured by way of hypothecation of vehicles financed by the Bank.
- v) Debentures are secured by way of mortgage of specified land situated at Irana Taluka kadi, District Mehsana in the state of Gujarat. The same are secured against the export bills and the personal guarantees of Directors.
7. The company has a Wholly Owned Subsidiary by the name of BIL Group LLC in USA . As per the incorporation documents of this Limited Liability Company, Bhartiya international Ltd is the sole member having 100% membership interest and the entire investment has been represented as members capital contribution . An LLC for income tax purposes in USA under the IRS can elect to be taxed as either a partnership or as a separate corporate entity . In the selection of being taxed as a partnership , the LLC is a pass through entity and the members get taxed on their share of the profit/loss. BIL Group LLC has , adopted to be taxed as a partnership and hence Bhartiya International Ltd being the sole member , shall be taxed for the full profit or loss in USA .The financial year closure of this LLC is 31st December and it has reported a loss of USD 2,325/- (Rs92,780/-) in its financial year ended 31st December, 2007. Accordingly Bhartiya International Ltd, shall be filing a tax return in the USA showing its loss of USD 23,251/- (Rs 92,780/-) in BIL Group LLC and shall claim deduction of this loss against its Income Tax liability in India.
8. In the opinion of the Directors, the Current Assets, Loans and Advances have the value at which they are stated in the balance sheet, if realised in the ordinary course of business and provision for all known liabilities has been adequately made in the accounts.
9. Debit and Credit balances of parties are subject to their confirmation.
10. Fixed deposits of Rs. 23,614,653- (previous year Rs. 21,209,995/-) and investments in mutual funds of Rs. NIL- (Previous Year Rs. 69,310,330/-)are pledged with the banks for various limits and facilities granted.Indira Vikas Patra totaling to Rs. 6,500/- each are given as security both to Sales Tax Department. and RTO
11. Registration formalities in respect of properties purchased for Rs. 2,342,800/- (Previous year Rs. 2,342,800/-) are pending.
12. a) Provisions for taxes includes Rs 4,004,218 /- (Previous Year Rs. 847,755/-)being taxes paid for earlier years.
- b) In compliance with the Accounting Standard on "Taxation on Income" (AS-22) issued by Institute of Chartered Accountants of India., the breakup of net deferred tax liability as on 31st March, 2008 and the deferred tax asset for the year is provided below :

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

Particulars	Deferred Tax Liability / (Deferred Tax Assets)		
	As On 1.4.2007	For The Year	As On 31.3.2008
Depreciation	17,357,079	390,937	17,748,016
Carried Forward Losses	(8,094,729)	(1,062,187)	(9,156,916)
Capital Loss		(5,645,758)	(5,645,758)
Net Deferred Tax Liability	9,262,350	(6,317,008)	2,945,342

13. Details of Managerial Remuneration to Managing Director & Whole Time Directors

	Current Year Rs.	Previous Year Rs.
a) Salary & Allowances	4,615,460	4,207,030
b) Contribution to Provident Fund	9,360	9,360
c) Other emoluments	85,050	150,800
	4,709,870	4,367,190

14. Foreign Currency transactions are translated as per the accounting policy referred to in item 3 (f) above. Foreign exchange gain on account of income and expenditure in consolidation is included in the profit and loss, and foreign exchange fluctuation Profit of Rs.10,921,138/- on accounts of consolidation of assets and liabilities of subsidiaries have been transferred to Currency Fluctuation Reserve Account.

15. Earning Per Share (EPS)

The Following table reconciles the numerators and denominators used to calculate Basic and Diluted Earnings per share for the year ended 31st March, 2008 and the year ended 31st March, 2007 :

	Year Ended 31st March, 2008	Year Ended 31st March, 2007
Income available to Equity Shareholders	63,855,069	39,610,056
No of Shares at the beginning of the Year (A)	7,278,848	6,278,848
Equity allotted during the year	585,000	1,000,000
Weighted Average Shares (B)	585,000	541,618
Weighted Average Shares Outstanding (nos)(A+B)	7,863,848	6,820,466
Effect of Dilutive Securities (nos):		
Add: Adjustment for warrants convertible into Equity Shares	-	159,194
Weighted Average number of equity shares for Diluted EPS	7,863,848	6,979,660
Nominal Value per share	10	10
Earnings per share (Basic)	8.12	5.81
Earnings per share(Diluted)	8.12	5.68

16. Accounting Standard (AS-17) on segment Reporting:

Segment Information

a) Business Segments

Based on similarity of activities/ products, risk and reward structure, organisation structure and internal reporting systems, the Company has structured its operations into more than one segment during the year.

b) Geographic segments

Operation of the Company do not qualify, for reporting as geographic segments, as per the criteria set out under

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

Accounting Standard 17 on segment reporting issued by the Institute of Chartered Accountants of India.

						Rs. In Lacs
		Leather Products	Textile Apparels	Others	Unallocable	Total
a.	Segment Revenue	13,161.32	1,882.72	1,268.18	333.03	16,645.25
b.	Segment Results	1,699.37	345.33	(239.76)	333.03	2,137.97
c.	Less: Unallocable expenses net of Income				707.66	707.66
d.	Operating Profit					1,430.31
e.	Less:- Interest					411.88
f.	Profit before Tax					1,018.43
g.	Provision for taxation (Current Tax, deferred and fringe benefit tax					238.39
h.	Profit after Tax					780.04
i.	Capital Employed	3,665.72	242.09	694.13	4,963.20	9,565.14

Note:- In the previous year the Company operated in single reportable segment hence previous period figures are not available.

17 RELATED PARTY DISCLOSURE

Transactions with related parties during the financial year and outstanding Balance as on 31st March, 2008.

PARTICULARS	Associates	Key Management personnel	Relatives of key Management Personnel	Enterprise under significant influence of key Management or their Relative	Amount in Rs. Total
Interest Income	28,223,949	-	-	-	28,223,949
	(52,258,437)	-	-	-	(52,258,437)
Purchase/Job Work	-	-	-	-	-
Rent	-	-	480,000	-	480,000
	-	-	(480,000)	-	(480,000)
Professional & Consultancy Fees	-	-	-	-	-
Sitting Fees	-	96,000	-	-	96,000
	-	(65,500)	-	-	(65,500)
Salaries	-	4,709,870	360,000	-	5,069,870
	-	(4,367,190)	(360,000)	-	4,727,190
Outstanding receivables					
In capital a/c partnership	50,000	-	-	-	50,000
	(50,000)	-	-	-	(50,000)
In current a/c -partnership	632,267	-	-	-	632,267
	(637,895)	-	-	-	(637,895)
Outstanding Payables	75,755	89,261	67,700	-	232,716
	(167,385)	(23,500)	(67,670)	-	(258,555)
Advances Recoverable	23,740,000	-	-	-	-
Share Application Money	(28,938)	-	-	-	-
	(356,200,000)	-	-	-	-

BHARTIYA INTERNATIONAL LTD.

SCHEDULES' (CONTD.)

Notes:

Names of related parties and description of relationship

1	Associated Parties	Bhartiya Prakash Leather Bhartiya Urban Infrastructure & Land Development Co. Pvt Ltd.
2	Key Management Personnel	Snehdeep Aggarwal Jaspal Sethi Ramesh Bhatia C.L.Handa Nikhil Aggarwal Manoj Khattar A.K .Gadhok Sandeep Seth S.Chandra Sanjay Vaze A.PS.Narag Vivek Sood Walter W Zwahlen
3	Relatives of Key Management Personnel	Kanwal Aggarwal Arjun Aggarwal
4	Enterprises under significant influence of key Management personnel or their relatives	Prima Group Ltd

18. Previous years figures are shown in brackets and have been re-grouped wherever necessary so as to make them comparable with current year figures.

19. Figures have been rounded off to the nearest rupee.

As per our report of even date attached

for **SUSHIL PODDAR & CO.**
Chartered Accountants

For and on behalf of the Board

S.K.Poddar
Prop.
M.No.94479

Deepti Gambhir
Company Secretary

Manoj Khattar
Vice President
(Accounts)

Snehdeep Aggarwal
Managing Director

Ramesh Bhatia
Director

New Delhi, 30th June, 2008