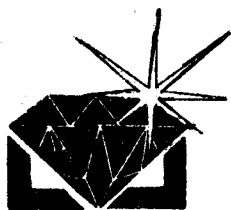


**TWELFTH ANNUAL REPORT
2005-2006**



LASER DIAMONDS LIMITED

LASER DIAMONDS LIMITED

BOARD OF DIRECTORS

1. Mr. Lalit Kumar Samdaria
2. Mr. Rikhab Chand Samdaria
3. Mr. Sajjan Chand
4. Mr. S. Goutham

BANKERS

1. ABN Amro Bank, Chennai

AUDITOR

M/s Bharat Kumar N. Jain
Chartered Accountants
376, Mint Street, 2nd Floor
Chennai - 600 079.

REGISTERED OFFICE

No. 41, Veerappan Street,
Sowcarpet,
Chennai - 600 079.

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LASER DIAMONDS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of the Company will be held on Thursday the 28th day of September 2006 at 10:30 AM at "RAGAAS" No:47, 1st Avenue, Shastri Nagar, Chennai – 600020 for transacting the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account of the Company for the financial year ended 31.03.2006 and the balance sheet as at 31.3.2006 together with the director's report and auditor's report thereon.
2. To appoint Director in place of Mr.Sajjan Chand who retires by rotation being eligible offer himself for reappointment.
3. To appoint Auditors of the Company to hold office from conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting of the company at a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS:

TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTION:

ITEM NO:1

RESOLVED THAT subject to the provisions of the Companies Act, 1956 Securities Contracts(Regulations)Act, 1956 and the rules framed there under, listing agreement, SEBI (Delisting of Securities) Guidelines, 2003 and such other applicable laws, rules, regulations and guidelines and subject to such approvals, permission and sanctions, as may be necessary, the Board of directors of the company be and is hereby authorized to seek voluntarily delisting of its securities from The Ahmedabad Stock Exchange Limited.

RESOLVED FURTHER THAT the securities of the company shall continue to be listed on the stock exchange having nation wide trading terminals viz., Bombay Stock Exchange Ltd., Mumbai and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunities need to be given to the shareholders of the company.

RESOLVED FURTHER THAT the Board of directors of the company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution.

ITEM NO: 2

RESOLVED THAT pursuant to Section 293(1) (a) and other provisions if any applicable, of the Companies Act, 1956 consent be and is hereby accorded to the Board of Directors to dispose off the entire Machineries of the company at such price and on such terms and conditions as may be agreed upon between the Board of Directors and the buyer.

RESOLVED FURTHER THAT the consent be and is hereby accorded to the Board of Directors to complete the sale of machineries and to sign and enter into any contract, agreement, deeds and to do such other acts and things as may be necessary and expedient in the interest of the company.

Date : 1.9.2006
Place : Chennai

By Order of the Board
for Laser Diamonds Limited
RIKHABCHAND SAMDARIA
Sd/-
Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING.
2. Shareholders / proxy holders are requested to bring their copy of the annual report with them at meeting and to produce at the entrance the attached admission slip duly completed and signed, for admission to the meeting hall.

LASER DIAMONDS LIMITED

3. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Company at the registered office of the Company well in advance so that the same may reach at least seven days before the date of meeting to enable the management to keep the required information readily available at the meeting.
4. The Register of Members of the Company will remain closed from 22.09.2006 to 28.09.2006.
5. The Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 is annexed hereto.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM No:1

The Securities and Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per the clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 as exit opportunity to the shareholders need not be given where securities of the company remain listed on the stock exchange having nation wide trading terminal, i.e Bombay Stock exchange Ltd., Mumbai

At present the equity shares of the company are listed at Madras Stock Exchange Ltd, Chennai, Bombay Stock Exchange Ltd Mumbai and The Ahmedabad Stock Exchange Ltd., Ahmedabad. Considering the negligible volume of trading and as a part of its cost reduction measure, the consent of members is sought for getting its securities delisted from the Ahmedabad Stock Exchange Ltd. as proposed in the Special Resolution. The securities of the company shall continue to be listed on Bombay Stock Exchange Ltd., Mumbai.

ITEM NO:2:

You are well aware that the company's MEPZ unit was closed and vacated the premises after paying all dues to the MEPZ authorities, Chennai. The MEPZ authorities are also given letter to that effect. The management has already shifted the Machinery to the Registered Office at Chennai. The Management has got opinion from the experts that the machineries can not be used because of the cost of maintenance. The cost of reusing the machineries will be more than the cost of new machineries. Hence the Management has decided to sell the entire Machineries under a public auction scheme.

It is necessary to obtain the shareholders permission as per the provisions of the Companies Act, 1956 to sell the Machineries of the company.

The Board recommends the aforesaid resolutions for approval of members.

None of the directors is, in any way, concerned or interested in the said resolution.

Place : Chennai
Date : 1.9.2006

By order of the Board
For LASER DIAMONDS LIMITED
RIKHABCHAND SAMDARIA
Director

LASER DIAMONDS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the 12th Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs.In '000)	(Rs.In '000)
	Year ended 31.03.2006 (Audited)	Year ended 31.03.2005 (Audited)
Income	10110	7062
Total Expenditure	10293	8317
Nett Loss	183	1255

BUSINESS OPERATIONS:

The company has continued its Export activities and has improved its performance compared to last year.

There is no manufacturing activities carried out during the financial year 2005-06. Hence no depreciation is being provided on Machinery.

Trading of Diamonds are good at present and hence the management has decided to concentrate on this.

As required under Corporate Governance, the Management's Discussion and Analysis Report which is forming a part of this report, is a reflection of the current state of business. It also deals with the opportunities and challenges faced by your Company and the outlook in future.

STATUTORY DISCLOSURES:

The company had no employee covered by the provisions of section 217(2A) of the Companies Act, 1956. The company has no activity relating to Conservation of Energy, or Technology Absorption. There was no foreign exchange outflow but had a foreign exchange inflow of Rs.100.54 lacs (FY. Rs.69.24 lacs) during the year.

DIRECTORS :

Mr. Sajjan Chand retires by rotation and offer himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

1. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures to the extent possible ;
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 as at 31st March, 2006 and of the profit or loss of the Company for the year ended 31st March, 2006;
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Director had prepared the annual accounts on a going concern basis.

LASER DIAMONDS LIMITED

Auditors

Mr.BHARAT KUMAR .N.JAIN , Chartered Accountant, Chennai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Corporate Governance

The company has complied with all the mandatory requirements of corporate Governance norms as enumerated in clause 41 of the Listing Agreement with the Stock Exchange to the extent possible by it . A report of compliance of Corporate Governance is annexed together with a Certificate from the auditors and CEO of the company on compliance.

General

Your Board of Directors is grateful to the Bankers, Suppliers, Customers and the shareholders for the support extended from time to time. Your Board of Directors also wish to place on record the whole hearted cooperation given by employees, at all levels, during the year.

Date : 25.08.2006

Place : Chennai

for LASER Diamonds Ltd.
Rikhabchand Samdaria
Sd./-
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS (Annexure-A)

1. OVERALL REVIEW

The operation of the Company has improved and it has reduced its Loss Compare to its previous year.

2. INDUSTRY OUTLOOK

We do not foresee any major change in the year 2006-07 as the industry faced the same kind of pressure.This trend is expected to continue.

3. OPPORTUNITIES

The Trading activities in these business are more profitable and presently the company is concentrating on trading and exporting of Diamonds.

4. CHALLENGES

Pending Legal Suits , Tight Financial Conditions , margins under pressure and financial condition of the company to be improved , these are the few challenges before the company.

5. COMPANY OUTLOOK

The Company is though financially weak but is certainly if can improve the pending issue are resolved

6. RISK AND CONCERNS

Prices of raw stones , legal issues , Processing cost ETC.are few concerns which has to be addressed from time to time .

7. INTERNAL CONTROL SYSTEMS AND ADEQUACY

The company have adequate internal control mechanism commensurating with the size of operations of the company. The management continuously reviews the internal control system and procedures.Critical review is also done to reduce non value added paper work.

8. CAUTIONARY STATEMENT

Certain statements in this report on "Management's Discussion and Analysis" are forward looking statements and which have been issued as required by applicable Securities Laws and Regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged

LASER DIAMONDS LIMITED

STATEMENT AND REPORTS ON CORPORATE GOVERNANCE:

A MANDATORY REPORTS ON CORPORATE GOVERNANCE:

I. Company's Philosophy on Corporate Governance:

The Company's philosophy is aimed at exhibiting maximum transparency to the investors by providing them with more information. This is done not only with the information that are to be revealed under mandatory provisions but also with those information which according to the Management and the Board are relevant to the investors and other Statutory Authorities to whom these Reports are addressed to:

II. BOARD OF DIRECTORS:

Name	Designation	Category	No of Board Meetings attended during 2005-06	Whether attended the Last AGM	No of Directorships in public companies	No of other Board committees in which he/she is Member or Chairperson
Mr. Lalit Kumar Samdaria	Director	Executive	7	Yes	Nil	Nil
Mr. Rikhabchand Samdaria	Director	Executive	7	Yes	Nil	Nil
Mr. S. Goutham *	Director	Non-Executive	6	Yes	Nil	Nil
Mr. Sajjanchand *	Director	Non-Executive	6	Yes	Nil	Nil

* Appointed on 4.7.2005

The Board of Directors comprise of Two Executive Directors, and two Independent Directors.

BOARD MEETINGS:

Seven Board Meeting were held on the following dates:

30.4.2005, 4.7.2005, 30.7.2005, 22.8.2005, 31.8.2005, 31.10.2005 and 31.1.2006.

None of the Directors is member in more than 10 committees or acting as Chairman of more than Five Committees.

III. AUDIT COMMITTEE:

Constitution:

The Committee consists of 3 Directors.

1. Mr. S. Goutham – Chairman
2. Mr. Sajjan Chand – Director
3. Mr. Rikhab Chand Samdaria – Director

The Committee is chaired by Mr. S. Goutham

TERMS OF REFERENCE:

The charter of the committee is as prescribed under clause 49 of the Listing Agreement viz.,

1. Oversight of Company's Financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval of any other services.
3. Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - i) Any charges in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgment by Management.
 - iii) Qualification in draft audit report.
 - iv) Significant adjustments arising out of audit.
 - v) The 'Going Concern' assumption.
 - vi) Compliance with Accounting Standards.

LASER DIAMONDS LIMITED

- vii) Any related party transaction i.e., transaction of the company of material nature with promoters of the management and their subsidiaries or relatives etc., that may have potential conflict with the interest of the company at large.
4. Reviewing with management, external and Internal audit function including the structure of internal control system.
 5. Reviewing the adequacy of internal audit function including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 6. Discussing with internal auditors any significant findings and follow up thereon.
 7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud and irregularity or a failure of internal control systems of a material nature and reporting the matter of the Board.
 8. Discussing with the external auditors before the audit commences, nature and scope of audit, as well as post-audit discussion to ascertain any area of concern.
 9. Reviewing the company's financial and risk management policies.
 10. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

Meetings and attendance:

The Audit committee met 4 (four) times during the year i.e, on 30.4.2005, 30.7.2005, 30.10.2005 and 31.1.2006 and all the director have attended the meetings.

IV.REMUNERATION COMMITTEE:-

Constitution:

The Committee consists of 3(Three) directors.

1. Mr. S. Goutham - Director
2. Mr. Sajjan Chand - Director
3. Mr. Rikhab Chand Samdaria - Director

The committee is headed by Mr. Sajjan Chand.

TERMS OF REFERENCE:

The Remuneration committee has been constituted to recommend and review the remuneration packages of the Managing Director, Whole Time Directors and to formulate a broad policy for management remuneration .

Remuneration Policy:

The Remuneration Policy as outlined by the committee aims at recognizing and rewarding performances and achievements, while fixing the remuneration of Directors, their contribution by way of their professional . This policy is in tune with current national and international practices.

Meetings and Attendances:

During the year 2005-06, the committee met once i.e on 30.4.2005.

Details of Remuneration of Directors:

Name	Salary	Perquisites	Commission	Contribution to Provident	Sitting fees	Stock Option	Total Rs.
1. Mr. Lalit Kumar Samdaria	1,00,000	—	—	—	—	—	1,00,000
	(Rs.10000/- p.m.)						
Total	1,00,000	—	—	—	—	—	1,00,000

V. SHARE HOLDERS COMMITTEE:

Constitution:

The Committee consists of 3 (Three) Directors.

1. Mr. Lalit Kumar Samdaria - Director
2. Mr. S. Goutham - Director
3. Mr. Sajjan Chand - Director

LASER DIAMONDS LIMITED

The Committee is headed by Mr. Lalit Kumar Samdaria

Name and designation of the Compliance Officer: Mr. Lalit Kumar Samdaria

Pending Share Transfers: There are no pending transfers.

Details of the last three AGMs held are given below:

Date of Meeting	Time of Meeting	Venue of the Meeting	Special Resolutions passed at AGM
30.09.2005 11th AGM	10.30 a.m.	"RAGAAS" No.47,1 st Avenue, Shastri Nagar, Chennai-600 020	Nil
30.12.2004 10th AGM	10.30 a.m.	"RAGAAS" No.47,1 st Avenue, Shastri Nagar, Chennai-600 020	Nil
26.09.2003 9th AGM	11.00 a.m.	"RAGAAS" No.47,1 st Avenue, Shastri Nagar, Chennai-600 020	Nil

No special resolution has been passed by way of postal ballot.

VII. DISCLOSURES:

There are no materially significant transaction made by the company with its promoters, the directors or the Management, their subsidiaries or relatives etc., which require separate disclosure. No penalties / strictures have been imposed on the company by any regulatory authority for non – compliance of any law.

VIII. MEANS OF COMMUNICATIONS:

Quarterly Results:

The Company has published its quarterly Financial Results regularly

Company e.mail ID : laserdiamonds@yahoo.co.in

Management Discussion and Analysis Report:

The Management Discussion and Analysis Report is included in the Director's Report and Forms part of the annual Report.(Annexure – A to the Directors Report).

IX. GENERAL SHAREHOLDER INFORMATION:

Number of AGM	:	12th AGM
Date	:	28 th September 2006
Day	:	Thursday
Time	:	10.30AM
Venue	:	"RAGAAS" No.47,1 st Avenue, Shastri Nagar, Chennai-600 020
Financial year	:	April 2005 to March 2006.
Book Closure date	:	22.09.2006 to 28.09.2006 (Both days Inclusive).
Dividend Payment date	:	Not Applicable.
Listing of Stock Exchange	:	Madras, Mumbai and Ahmedabad
Listing Fee	:	Listing Fee paid upto : 2006-07
Stock Code	:	531164
ISIN allotted to Equity Shares	:	INE995E01015
Registrar & Transfer Agents	:	M/s.Cameo Corporate Service Ltd, "Subramaiam Building" No"1, Club House Road, Chennai – 600 002.

LASER DIAMONDS LIMITED

SHARE TRANSFER SYSTEM:

The share transfers are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, so long as the documents have been clear in all respects. The Company has, as per SEBI Guidelines offers the facility of transfer cum demat.

SHARE HOLDING PATTERN as on 31st March 2006:

Category	Shares	%
A. Promoters Holding:		
1. Promoters		
<u>Indian Promoters</u>		
Mr. Lalit Kumar Samdaria	1330693	32.86
Mrs. Hemlatha Samdaria	437551	10.80
Mr. Rikhab Chand Samdaria	233552	5.77
<u>Foreign Promoters</u>	NII	NII
2. Persons Acting in concert	19404	0.48
Sub- Total	2021200	49.91
B. Non Promoters Holding:		
3. Institutional Investors		
a) Mutual Funds and UTI	NII	NII
b) Banks, Financial Institution, Insurance Companies (Central/State Govt/ Institutions/ Non-Govt Institutions) City Union Bank	NII	NII
c) FIIs	NII	NII
Sub - Total	NII	NII
4. Others :		
a) Private Bodies Corporate	45500	1.12
b) Pan Link Consultants	NII	NII
c) Indian Public	1983300	48.97
d) NR/ OCB's	NII	NII
e) Any Other (Please Specify)	NII	NII
Shares in Transit	NII	NII
Forfeited Shares	NII	NII
Foreign National	NII	NII
Sub- Total	2028800	50.09
Grand Total	4050000	100.00

LASER DIAMONDS LIMITED

Distribution of Shareholding as on 31st March, 2006

Share or Debenture holding		Share / Debenture holders		Share Debenture holdings	
Share		Number	% of total	Shares	% of total
1	- 100	707	19.7762	65651	1.6210
101	- 500	1950	54.5455	651300	16.0815
501	- 1000	657	18.3776	447700	11.0543
1001	- 2000	131	3.6643	199300	4.9210
2001	- 3000	48	1.3427	126200	3.1160
3001	- 4000	24	0.6713	86600	2.1383
4001	- 5000	20	0.5594	93351	2.3050
5001	- 10000	18	0.5035	122902	3.0346
10001	- and above	20	0.5594	2256996	55.7283
TOTAL		3575	100.0000	4050000	100.0000

Categories of Shareholding as on 31st March, 2006

Promoters/Directors and Relatives	2021200	49.91
Private Corporate Bodies	45500	1.12
Indian Public	1983300	48.97
TOTAL	40,50,000	100

Dematerialisation of Shares & Liquidity :	Shares in Demat	:	11,43,200
	Shares in Physical	:	29,06,800
	TOTAL	:	40,50,000

Outstanding GDR's/ADRs/Warrants – Nil

Address for Correspondence : No.41, Veerappan Street, Sowcarpet, Chennai - 600 079.

Factory Location : Nil

Place : Chennai
Date : 25.08.2006

By order of the Board
For LASER DIAMONDS LIMITED
RIKHABCHAND SAMDARIA
Director

LASER DIAMONDS LIMITED

AUDITOR CERTIFICATE REGARDING COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 of the Listing Agreement:-

Registration No of the Company : 29777
Nominal Capital : 50000000

To

The members of the Laser Diamonds Ltd., Chennai

We have examined all the relevant records of M/s. Laser Diamonds Ltd, Chennai for the purpose of certifying compliance of the conditions of Corporate Governance under clause 49 of the Listing Agreement with BSE & MSE for the financial year ended 31.3.2006. I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The Compliance of the conditions of Corporate Governance is the responsibility of the management . Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanation and information furnished , we certify that the Company has complied with :

- (a) All the mandatory conditions of the said Clause 49 of the Listing Agreement .
- (b) The following non mandatory requirements of the said clause 49.

Date : 25.8.2006
Place : Chennai

Sd/-
(BHARAT KUMAR N. JAIN)
Chartered Accountant
Membership No.027891

Certification by CEO and CFO s Issued pursuant to revised Clause 49 of the Listing Agreement:

I, Rikhabchand Samdaria Director of M/s Laser Diamonds Limited, Chennai certify that:

- (a) I have reviewed the financial statements including the cash flow statement of M/s.Laser Diamonds Limited, Chennai for the year ended 31st March 2006
 - I. To the best of my knowledge and belief , the financial statements including cash flow statements do not contain any materially untrue statement or omit any material fact or contains statements that might be mis- leading :
 - II. To the best of my knowledge and belief, the financial statements including cash flow statements presents a true and fair view of company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of my knowledge and belief, there are no transactions entered into by the company during the year , which are fraudulent, illegal or violative to the company's code of conduct.
- (c) Based on my observance and on the basis of submission received through sub-certification process, I certify that internal controls for financial reporting are established, maintained and are effective considering the nature and size of the business. Further no deficiencies have observed in design or operation of such internal controls for the period covered by this report.
- (d) During the period under review, no significant changes were observed in the internal controls over financial reporting and accounting policies of the company. Furthermore, no instance of fraud found by management or employees having a significant role on the company's internal control system over financial reporting.

Date : 25.8.2006
Place : Chennai

RIKHABCHAND SAMDARIA
(Signature of the Certifying Authority)
Director

LASER DIAMONDS LIMITED

AUDITOR'S REPORT

The Members of
LASER DIAMONDS LTD

I have audited the attached balance sheet of LASER DIAMONDS LTD as at 31st March 2006, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

I have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's report) order 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

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.

In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.

In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

On the basis of written representation received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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.

In the case of the balance sheet, of the state of affairs of the company as at 31st March 2006;

In the case of profit and loss account, of the loss for the year ended on that date; and

In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

Date : 25.08.2006
Place : Chennai

(BHARAT KUMAR N. JAIN)
Chartered Accountant
376, Mint Street, 2nd Floor,
Chennai-600 079, [M. No.027891]

LASER DIAMONDS LIMITED

LASER DIAMONDS LIMITED

Referred to in paragraph 3 of our report of even date.

- 1)
 - (a) On the basis of examination of the records of the company, we report that the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) On the basis of examination of the records of the company, we report that all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification.
 - (c) During the year, the company has not disposed of any of the plant and machinery.
- 2)
 - a) Inventory as on 31.3.2004 is NIL [P.Y. Rs.10,04,115], Physical verification of inventories has taken during the year by management.
 - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of business.
 - c) On the basis of examination of the records of the inventory and according to information and explanations given to us, the company is maintaining proper records of inventory.
- 3)
 - a) The company had taken loan from other firms & individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.5,000/- and the year-end balance of loans taken from such parties was Rs.5,000/- . The companies have not granted any loan to parties covered in register maintained u/s 301 of the Companies Act, 1956.
 - b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - c) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
 - d) There is no overdue amount of loans taken from firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 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 with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5)
 - a) In our opinion and according to the information and explanations given to us, there no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 .
- 6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from Public. No order has been passed by the Company Law Board.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) The Industry in which Company's business is involved is not prescribed u/s 210(1) (d) for maintenance of cost records.
- 9)
 - (a) As per the information and explanations given to us and records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, excise duty, cess and other material statutory dues applicable to it. No wealth tax and custom duty is payable by company.
 - (b) According to the information and explanations given to us and records of the company, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.03.06 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

LASER DIAMONDS LIMITED

- 10) In our opinion, the accumulated losses of the company is Rs.195.85 lacs as on 31.03.2006, which is not more than 50% of its net worth. The company has earned cash profit during the financial year 2005-2006 is approx Rs.0.86 lacs (P.Y. cash loss is Rs.3.56 lacs)
- 11) 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.
- 12) As per records of the company, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 14) In our opinion, the company is not dealing in or trading in shares, securities debentures 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) As per the records of the company, the company has not given guarantees for loans taken by other from banks or financial institutions.
- 16) As per records of the company, the company has not raised any term loan.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- 18) According to the information and explanations given to us and as per records of the company, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debentures during the year..
- 20) During the course of our examination of books of accounts carried out in accordance with generally accepted practices in India, we have neither come across any incidence of fraud on or by the company nor have we been informed of any such case by the management.

Date : 25.08.2006

Place : Chennai

(BHARAT KUMAR N. JAIN)
376, Mint Street, 2nd Floor,
Chennai-600 079, [M. No.027891]

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS :

ACCOUNTING CONVENTION

The Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

FIXED ASSETS

Fixed Assets are stated at cost less depreciation. Cost of Fixed Assets include all direct expenditure and expenditure during construction period allocated of Fixed Assets. Depreciation on the Fixed Assets has been provided on Straight Line Method in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

However during current year No Depreciation was provided (P.Y. 898511/-)

INVENTORIES

No stock exist as on Balance Sheet date. Hence we do not have any comment on the same.

INCOME RECOGNITION

Income & Expenditure are accounted on accrual basis.

LASER DIAMONDS LIMITED

PRELIMINARY AND PUBLIC ISSUE EXPENSES

Preliminary and Public Issue Expenses have been amortized over a period of 10 years in accordance the provision of Income – tax Act. There is no portion remain to be amortized in future.

Total Expenses Incurred	-	28.72
Expenses amortized upto 31.03.2005	-	26.03
Amortized during the Year FY. : 2005-2006	-	2.69

SALES

Sales are recorded and supply of goods takes place in accordance with the terms of sales. Sales do not include Excise Duties.

Payment against supplies from SSI and ancillary undertaking are generally made in accordance with agreed credit terms and there were no over dues in this regard.

ACCOUNTING STANDARD

The Profit and Loss A/C. and Balance Sheet Complied with the accounting standards referred in section see 211 (3C) of companies Act 11086.

SECURED LOAN

There are no secured loan borrowed by the company .

CHANGE IN ACCOUNTING POLICY

There is no change in policy of accounts

Expenditure in Foreign Currency - NIL

Previous Year figures have been rearranged and regrouped wherever necessary.

Loss on Sale of Fixed Assets Accounted - Rs. NIL

Sundry Debtors – unsecured – considered goods

Outstanding for a period exceeding six months - Rs. 1.72 lacs

Others - Rs. 1.57 lacs

(The Company does not hold any security except the personal guarantee of debtors.)

AUDITOR'S REMUNERATION		2005-06	2004-2005
For Audit	Rs.	15000	15000
For taxation matter	Rs.	Nil	Nil
For expenses	Rs.	Nil	Nil
Service Tax	Rs.	Nil	Nil
TOTAL	Rs.	15000	15000

Interested Party payments, If any : Nil

FOREIGN EXCHANGE TRANSACTIONS :

Foreign Exchange Transactions of revenue in nature are accounted at the exchange rates prevailing on the date of transaction and are recognized in the Profit and Loss Account. There are no Foreign Exchange Transactions with respect to Assets and Liabilities. Profit on realization of Foreign Exchange is Rs.55843 (PY. Loss Rs.88614)

LASER DIAMONDS LIMITED

ADVANCE FOR MACHINERY:

Amount advance to R.V. Diamond for purchase of machinery during the year 1995 (Rs.67.52 lakh). Company have filed suite against them which is still pending in the High Court.

PROVIDENT FUND:

As per the information provided the provisions of provident fund, state insurance are not applicable is accounted on accrual basis and is charges to revenue account.

In the opinion of the Board of Directors, Sundry debtors, Current assets, Loans and Advances have a value on realization, in the ordinary course of business, atleast equal to the amount at which they are stated.

The company is yet to receive confirmations from parties in respect of balances outstanding in sundry debtors and creditors.

SEGMENT REPORTING:

The Company's business consists of one primary reportable business segment of manufacturing and sale of Precious stones and processing facility of the same and consists of major revenue on account of domestic / export sales, hence no separate disclosures pertaining to attributable revenues, profits, assets, liabilities and capital employed are given as required under Accounting Standard - 17.

EARNINGS PER SHARE (EPS)

Since the company has incurred loss , the EPS of the company is not derived.

Related party transaction pursuant to disclosure norms of Accounting Standard – 18 is given below

<u>Party Name</u>	<u>Nature of Transaction</u>	<u>Amount Involved</u>
Lalit Kumar Samdaria	Loan taken by the company	Rs.5,000/-

As there is loss, no tax is deferred.

Business Loss and Unabsorbed description being carried over as per Income Tax Act up to 31.03.2006 is Rs.257.87 lacs which will be adjusted against profits of company in subsequent year. Contingent Tax benefits out of such adjustment is not accounted for.

As per our report of even date annexed.

For and on behalf of Board of Directors
For LASER DIAMONDS LTD.

RIKHABCHAND SAMDARIA
Director

SAJJAN CHAND
Director

For BHARAT KUMAR N. JAIN
Chartered Accountants

Place : CHENNAI

Date : 25.08.2006

LASER DIAMONDS LIMITED

BALANCE SHEET AS ON 31-3-2006

	SCHEDULE	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
SOURCES OF FUNDS			
(A) Shareholder's Funds	(1)	40,130,500.00	40,130,500.00
		<u>40,130,500.00</u>	<u>40,130,500.00</u>
APPLICATION OF FUNDS			
(B) Fixed Assets			
Gross Block	(2)	20,388,246.00	20,388,246.00
LESS: Depreciation		<u>8,141,628.00</u>	<u>8,141,628.00</u>
Net Block		<u>12,246,618.00</u>	<u>12,246,618.00</u>
(C) Current Assets			
Stock on Hand	(3)	-	1,004,115.00
Cash and Bank balance		153,676.50	242,842.10
Trade Debtors		3,814,712.69	784,358.00
Loans and Advances & Deposits		<u>7,076,320.00</u>	<u>7,076,320.00</u>
		<u>11,044,709.19</u>	<u>9,107,635.10</u>
(D) Current Liabilities and Provisions	(4)	2,746,383.00	895,383.00
Net Current Assets (C-D)		8,298,326.19	8,212,252.10
(E) Miscellaneous Expenditure (To the extent not written off or adjusted)	(5)	-	269,351.00
(F) Profit and Loss Account (Loss)		19,585,555.81	19,402,278.90
		<u>40,130,500.00</u>	<u>40,130,500.00</u>

NOTES ON ACCOUNTS

8

As per our report of even date.
For BHARAT KUMAR N. JAIN
Chartered Accountants

For and on behalf of Board of Directors
For LASER DIAMONDS LTD.

RIKHABCHAND SAMDARIA
Director
SAJJAN CHAND
Director

Place : CHENNAI
Date : 25.08.2006

LASER DIAMONDS LIMITED

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	SCHEDULE	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
INCOME			
Sales		10,054,000.00	6,924,000.00
Rent received		—	48,000.00
Foreign Exchange Rate Fluctuation		55,843.59	—
Other Income		—	90,540.00
Increase / Decrease in Stock		—	1,004,115.00
Difference in Books		—	0.07
		<u>10,109,843.59</u>	<u>8,066,655.07</u>
EXPENDITURE			
Cost of goods sold		9,274,019.00	7,567,777.00
Foreign Exchange Rate Fluctuation		—	88,614.00
Export Freight & Charge		33,348.00	18,824.00
Administrative and other Expenses	(6)	985,753.50	747,636.07
Depreciation	(2)	—	898,511.00
		<u>10,293,120.50</u>	<u>9,321,362.07</u>
(Loss) for the year		(183,276.91)	(1,254,707.00)
ADD: Profit/(Loss) carried forward from Previous year		(19,402,278.90)	(18,112,337.90)
Foreign Exchange Rate Fluctuation Previous year		—	(35,234.00)
(Loss) Carried to Balance Sheet		<u>(19,585,555.81)</u>	<u>(19,402,278.90)</u>

NOTES ON ACCOUNTS

8

As per our report of even date.
For BHARAT KUMAR N. JAIN
Chartered Accountants

For and on behalf of Board of Directors
For LASER DIAMONDS LTD.

RIKHABCHAND SAMDARIA
Director
SAJJAN CHAND
Director

Place : CHENNAI
Date : 25.08.2006

LASER DIAMONDS LIMITED

SCHEDULE

AS AT 31-03-2006
Rs.

AS AT 31-03-2005

SCHEDULE 1 : SHARE CAPITAL

AUTHORISED SHARE CAPITAL

5000000 Equity Shares of Rs.10/- each

50,000,000.00

50,000,000.00

ISSUED SUBSCRIBED AND PAIDUP

4050000 (4050000) Equity Shares of Rs. 10/- each
(of these 200000 shares of Rs. 10/- each
issued for consideration other than cash)

40,500,000.00

40,500,000.00

LESS Calls in arrears

369,500.00

369,500.00

40,130,500.00

40,130,500.00

SCHEDULE 2 : FIXED ASSETS & DEPRECIATION AS PER SCHEDULE XIV OD COMPANIES ACT,1956

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1-4-2005 Rs.	Additions/ Deductions Rs.	As at 1-4-06 Rs.	Upto 1-4-2005 Rs.	For the Year Rs.	Upto 1-4-06 Rs.	As on 31-3-06 Rs.	As on 31-3-05 Rs.
1. Building	2379108	NIL	2379108	367017	NIL	367017	2012091	2012091
2. Plant & Machinery	17285129	NIL	17285129	7425289	NIL	7425289	9859840	9859840
3. Office Equipment	316176	NIL	316176	135792	NIL	135792	180384	180384
4. Electrical Installation	135876	NIL	135876	58368	NIL	58368	77508	77508
5. Furniture & Fixtures	271957	NIL	271957	155162	NIL	155162	116795	116795
TOTAL	20388246	NIL	20388246	8141628	NIL	8141628	12246618	12246618

LASER DIAMONDS LIMITED

SCHEDULE 3 : CURRENT ASSETS, LOANS AND ADVANCES

CURRENT ASSETS:	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
STOCK ON HAND		
Closing Stock	—	1,004,115.00
CASH AND BANK BALANCES		
Cash on hand	2,180.50	6,385.00
Cash at Bank - with Schedule Bank in Current Account	151,496.00	236,457.10
	<u>153,676.50</u>	<u>242,842.10</u>
TRADE DEBTORS (unsecured and considered good)		
Debtors recoverable in cash	3,814,712.69	784,358.00
LOANS, ADVANCES AND DEPOSITS (unsecured)		
Advances	6,919,450.00	6,919,450.00
Deposits (recoverable in kind or cash or value to be received)	156,870.00	156,870.00
	<u>7,076,320.00</u>	<u>7,076,320.00</u>

SCHEDULE 4 : CURRENT LIABILITIES & PROVISIONS

Sundry Creditors	2,712,453.00	866,453.00
Investor Protection Fund Share Application money refund due	13,930.00	13,930.00
Other Liabilities	15,000.00	15,000.00
Lalith Kumar Samdaria	5,000.00	—
	<u>2,746,383.00</u>	<u>895,383.00</u>

SCHEDULE 5 : MISCELLANEOUS EXPENDITURE

Preliminary Expenses as per last B/S	3.00	17,926.00
Less: Written off during the year	3.00	17,923.00
	<u>—</u>	<u>3.00</u>
(A)		
Public Issue Expenses as per last Balance Sheet	269,348.00	538,695.00
Less: Written off during the year	269,348.00	269,347.00
	<u>—</u>	<u>269,348.00</u>
(B)		
(A) + (B)	<u>—</u>	<u>269,351.00</u>

SCHEDULE 6 : ADMINISTRATIVE & OTHER EXPENSES

	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
Rent (MEPZ)	—	10,284.00
Godown Rent	92,000.00	8,000.00
Conveyance	31,048.00	14,717.50
Postage Expenses	6,631.00	1,748.00
Printing and Stationery	2,487.00	1,659.75
Boarding and Lodging	107,679.00	40,792.00

LASER DIAMONDS LIMITED

Customs duty	—	58,730.00
Handling charges	—	1,395.00
Listing fees	22,600.00	22,600.00
D-Mat Charges	18,856.00	25,224.00
Travelling Expenses	175,156.00	37,038.00
Bank Charges	4,203.00	20,020.32
EGM Expenses	—	9,318.00
Transport Expenses	—	40,500.00
Telephone Expenses	24,632.50	10,844.50
Sales Expenses and Advertisement	956.00	4,520.00
Membership Fees	2,500.00	2,800.00
Donation	—	5,000.00
Factory Land Development Expenses	—	52,794.00
ROC Filing Fee	4,000.00	1,000.00
AGM Expenses	17,024.00	35,916.00
Brokerage	—	8,000.00
Accounting Charges	6,000.00	3,000.00
Consultancy fee	30,500.00	10,000.00
Miscellaneous (T.D.S.)	—	19,765.00
Directors Remuneration	100,000.00	—
Repairs & Maintenance	130.00	—
Salary & Bonus	55,000.00	—
Audit Fees	15,000.00	15,000.00
Preliminary expenses written off	3.00	17,923.00
Public Issue expenses written off	269,348.00	269,347.00
	985,753.50	747,636.07

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2006 PURSUANT OF THE CLAUSE 32 OF THE LISTING AGREEMENT

	YEAR ENDING 31-03-2006 Rs.	YEAR ENDING 31-03-2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax, interest and extraordinary item.	(183277)	(1254707)
ADJUSTMENTS FOR:		
Depreciation	—	898511
Amortisation of preliminary and public issue expenses	269351	287270
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHARGES	86074	(68926)
Trade and other receivables	(2026239)	604010
Trade Payable	1851000	(324935)
Net Cash used in operating activities	89165	210149
B. CASH FLOW FROM INVESTING ACTIVITIES	NIL	NIL
C. CASH FLOW FROM FINANCING ACTIVITIES	NIL	NIL
D. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	89165	210149
CASH AND CASH EQUIVALENTS (OPENING)	242842	32693
CASH AND CASH EQUIVALENTS (CLOSING)	153677	242842
NET DECREASE IN CASH AND CASH EQUIVALENTS	89165	210149

For and on behalf of Board of Directors
For LASER DIAMONDS LTD.

RIKHABCHAND SAMDARIA
Director

PLACE : CHENNAI
DATE : 25.08.2006

SAJJAN CHAND
Director

LASER DIAMONDS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details

Registration No.:

2 9 7 7 7

State Code:

1 8

Balance Sheet Date

3 1

Date

0 3

Month

2 0 0 6

Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

4 2 8 7 6

Total Assets

4 2 8 7 6

IV. Performance of company (Amount in Rs. Thousands)

Turnover

1 0 1 1 0

Total Expenditure

1 0 2 9 3

Profit before Tax

(1 8 3)

Profit after Tax

(1 8 3)

Dividend Rate

N I L

V. Genetic names of three principal products/service of company (as per monetary terms)

Item Code No. (ITC Code)

71021000

Product Description

UNASSORTED DIAMONDS

Item Code (ITC Code)

71023100

Product Description

Sawn, Unworked, Cleaved or bruted diamond

SOURCES OF FUNDS (Amount in Rs. Thousands)

Paid up Capital

4 0 1 3 1

Secured Loans

N I L

APPLICATION OF FUNDS

Net Fixed Assets

1 2 2 4 7

Net Current Assets

8 2 9 8

Reserves & Surplus

N I L

Investments

N I L

Accumulated Losses

1 9 5 8 6

Unsecured Loans

N I L

Miscellaneous Expenditure

N I L

LASER DIAMONDS LIMITED

LASER DIAMONDS LIMITED

Regd. Office : 41, Veerappan Street, Sowcarpet, Chennai - 600 079.

ATTENDANCE SLIP

Name of the Shareholder :

Folio No. / Client ID No. :

No. of Share held :

I/We record my/our presence at the Twelfth Annual General Meeting of the Company at "Ragaas", 47, 1st Avenue, Shastri Nagar, Chennai - 600 020 at 10.30 A.M. on Thursday the 28.09.2006.

Signature of the attending member of proxy

Notes: Shareholder/proxy holders wishing to attend the meeting must bring the attendance slip to the meeting and handover at the entrance duly signed.

2. Shareholders/proxy holders to attend the meeting should bring this copy of the Annual Report for reference at the meeting.

LASER DIAMONDS LIMITED

Regd. Office : 41, Veerappan Street, Sowcarpet, Chennai - 600 079.

PROXY

I/We of being a Member/

Members of the above named company, hereby appoint of

..... or failing him of

..... as my/out proxy to attend and vote for me/us in my/our behalf at the

TWELFTH ANNUAL GENERAL MEETING of the company, to be held on Thursday the 28.09.2006 and at any adjournment.

Thereof, signed this day of 2006.

Regd. Folio No. / Client ID No. :

No. of Shares held

Signature

Affix
one
rupee
Revenue
Stamp

Note: The proxy must be returned so as to reach the Registered office of the Company Vix: 41, Veerappan Street, Sowcarpet, Chennai - 600 079, not less than Forty Eight hours before the Scheduled time for holding the aforesaid meeting.

BOOK-POST

If undelivered please return to:

LASER DIAMONDS LIMITED

Regd. Office:

41, Veerappan Street, Sowcarpet,

Ground Floor,

Chennai - 600 079.