

GARNET International Ltd.

**29th Annual Report
2010-2011**

BOARD OF DIRECTORS	MR. SUERSH GAGGAR MR. DEVEN MEHTA MR. DINESH NANDWANA MR. SHARAD RATHI MR. RAMAKANT GAGGAR
BANK	HDFC BANK LIMITED
AUDITORS	M/S. R.S. AGRAWAL & ASSOCIATES
REGISTERED OFFICE	901, RAHEJA CHAMBERS NARIMAN POINT MUMBAI 400 021

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Garnet International Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT the 29th Annual General Meeting of Garnet International Limited will be held on Thursday, 29th day of September 2011 at 11.00 A.M at 901, Raheja Chambers, Nariman Point, Mumbai - 400 021 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Statement of Accounts for the year ended 31st March 2011 and Balance Sheet as on that date along with the Reports of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares of the Company for the year ended 31st March, 2011.
3. To appoint a Director in place of Mr. Suresh Gaggar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Deven Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. R.S. Agrawal & Associates, Chartered Accountants, the retiring Auditors as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By order of the Board

SURESH GAGGAR
DIRECTOR

Place: Mumbai
Dated: 16th August 2011

29th Annual Report 2010-2011

DIRECTOR'S REPORT***The Members***

The Directors of **Garnet International Limited** take pleasure in presenting the Annual Report on the operations of the company, together with the audited accounts for the year ended March 31, 2011.

Financial Results

₹.in Lacs

Particulars	Year ended 31st March 2011	Year ended 31st March 2010
Total Income	4253.60	2410.55
Profit/(Loss) before Depreciation and Tax	505.06	476.81
Less: Depreciation	4.79	1.95
Profit/(Loss) before Tax	500.27	474.87
Less: Provision for Tax	36.00	61.86
Net Profit /(Loss) after Tax	464.27	413.01

Year and Period under review

During the period under review, your Company registered a total income of ₹. 4253.60 lacs as against ₹.2410.55 lacs in the previous year. Profit before depreciation and tax stood at ₹. 505.06 lacs as against Profit of ₹. 476.81 lacs in the previous year. Your company reported net profit of ₹. 464.27 lacs.

Dividend

Your Directors have recommended a dividend of ₹.1.00 per equity share for the financial year ended on 31st March, 2011.

Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review, which also deals with the opportunities, challenges and the future outlook for the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India, is presented in a separate section forming part of the **Annual Report**.

Responsibility Statement

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

- The applicable standards have been followed in the preparation of the annual accounts.
- The Directors 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 at March 31, 2011 and the profit of the company for the year ended on that date.

- The Directors have taken appropriate 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; and
- The Directors have prepared the attached Statement of Accounts for the year ended March 31, 2011 on a going concern basis.

Subsidiary Company

During the year under review, your Company acquired 50.21% stake in Sukartik Clothing Private Limited and thus it became a subsidiary of your company. The Balance Sheet, Profit and Loss Account and other statements of the Subsidiary Company are not being attached with the Annual Report of the Company. The Company will make available the Annual Accounts of the Subsidiary Company and the related detailed information to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the Subsidiary Company will also be kept open for inspection at the Registered Office of the Company. The consolidated Financial Statements presented by the Company include the financial results of its Subsidiary.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities and Exchange Board of India, Corporate Governance practice and have implemented all the prescribed stipulations.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Suresh Gagar and Mr. Deven Mehta, Directors of the Company, shall retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The Board of Directors recommends their re-appointment.

Fixed Deposits

During the year under review, the company had neither accepted nor renewed any deposit from public within the meaning of Section 58A of the Companies Act, 1956.

Auditors

M/s. R.S. Agrawal & Associates, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue in the said office.

Comments on Auditors' Report

The company is in the process of taking remedial measures on the observations made by the Auditors in their Report.

Conservation of Energy, Research & Development, Technology absorption, Foreign exchange Earnings and Outgo:

(A) *Conservation of Energy and Technology Absorption*

Considering the Company's business activities, the Directors have nothing to state in connection with Conservation of Energy and Technology Absorption.

(B) *Foreign Exchange Earnings And Outgo*

During the year under review, the Company did not have any Foreign Exchange Earnings or Outgo.

Particulars as per section 217(2A) of Companies Act, 1956

Statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is not given as none of the employees of the Company is covered under the provisions of the said section.

Acknowledgements

The Directors greatly value the support and co-operation received during the year from the Financial Institution, the Company's Bankers, Statutory Authorities and all organizations connected with its business. The Directors also take pleasure in commending the valuable contributions made by the Company's employees at all levels during the year under review.

For and on behalf of the Board

Place: Mumbai
Date: 16th August 2011

Suresh Gaggar
Director

Ramakant Gaggar
Director

Report on Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. Corporate Governance assumes a great deal of importance in the business life of the Company through adoption of best governance practices and its adherence in the true spirit at all times. The Company believes that proper Corporate Governance facilitates effective management and control of business. The Company's goal is to find creative and productive ways of delighting its stakeholders, while fulfilling the role of a responsible corporate representative committed to best practices. The Company has implemented the mandatory requirements of the 'Code of Corporate Governance' as mentioned in the clause 49 of the Listing Agreement. The company has recently launched its website www.garnetint.com and is in the process of providing information useful to investors on the website. In the meantime the code of conduct is available at registered office of the company for inspection of shareholders.

2. Board of Directors

a) Composition of the Board

The Board, during the year, comprised of 5 Directors all of whom are Non-Executive Directors. 2 out of them are independent Directors. The company does not have chairman. All the Directors are liable to retire by rotation.

The composition of the Board and other relevant details relating to Directors are given below:

Name of the Director	Designation	Category of Directorship	No. of Other Directorships*	No. of Other Committee Memberships #	
				Chairman	Member
Mr. Suresh Gaggar	Director	Promoter, Non-Executive; Non Independent	1	Nil	Nil
Mr. Ramakant Gaggar	Director	Promoter; Non- Executive; Non-Independent	1	Nil	Nil
Mr. Deven Mehta	Director	Promoter; Non-Executive; Non-Independent	1	Nil	3
Mr. Dinesh Nandwana	Director	Non-Executive; Independent	6	Nil	Nil
Mr. Sharad Rathi	Director	Non-Executive; Independent	0	Nil	Nil

* Directorships in Private and Foreign Companies, if any are excluded.

Memberships of only Audit Committee, Shareholders/investors' Grievance Committee and Remuneration Committee have been considered.

b) Reappointment of Directors:

Resume of the Directors whose appointment/re-appointment is proposed at the forthcoming Annual General Meeting is as under:

i) **Mr. Suresh Gaggar**

Mr. Gaggar is a very dynamic person having vast experience, in-depth knowledge and strong understandings of various intricacies of the securities and financial services. He has exhaustive and rich experience of securities business of more than 21 years and has an extensive expertise in analyzing and identifying potential investment opportunities in the Indian equity market.

Directorships held by Mr. Suresh Gaggar in other companies are as under:

Sr. No.	Name of the Company
1.	ARSS Engineering Limited
2.	Bhuta Investment P. Ltd.
3.	Maxwell Management Services P. Ltd.
4.	Sukartik Clothing P Ltd.
5.	Evergreen Infotech & Datacom P. Ltd.
6.	Reliable Realty Pvt Ltd
7.	Minex Explore Pvt. Ltd.

Mr. Suresh Gaggar does not hold any Chairmanship/Membership in committees of other companies.

Mr. Suresh Gaggar holds 487206 equity shares in the Company as on 31st March 2011.

ii) **Mr. Deven Mehta**

Mr. Deven Mehta has an in-depth knowledge of Capital Market. He has sound experience in investment and fund management and management consultancy, derivatives, fund mobilization, working capital arrangement etc.

Directorships held by Mr. Mehta in other companies are as under:

Sr. No.	Name of the Company
1	Amgis Holdings Pvt Ltd
2.	Pals Overseas Pvt Ltd
3.	Jyoti Bright Bar Pvt Ltd
4.	Sigma Credit & Capital Services P Ltd
5.	S.J. Capital Advisors Pvt Ltd
6.	Smart Card IT Solutions Ltd
7.	Jayavant Products Limited

Mr. Mehta is member of Share Transfer Committee, Audit Committee and Remuneration Committee in Jayavant Products Limited.

Mr. Mehta holds 100000 equity shares in the Company as on 31st March 2011

c) Board Meetings and Annual General Meeting:

During the financial year 2010-2011, 12 Board Meetings were held on 1st April 2010, 30th April 2010, 21st July 2010, 3rd August 2010, 16th August 2010, 8th September 2010, 13th September 2010, 30th October 2010, 26th November 2010, 25th January 2011, 7th February 2011 and 28th February 2011. The last Annual General Meeting of the Company was held on 29th September 2010. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows.

Name of the Director	No. of Board Meetings Attended	Attendance at Last Annual General Meeting
Mr. Suresh Gaggar	12	Yes
Mr. Deven Mehta	12	Yes
Mr. Dinesh Nandwana	12	Yes
Mr. Sharad Rathi	10	No
Mr. Ramakant Gaggar	12	Yes

d) Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the company. The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel.

3. **Audit Committee**

a) Constitution of Audit Committee:

The Committee comprises three Non-executive Directors majority of them are independent directors. All members of the Committee are financially literate.

b) Composition of Audit Committee and Number of Meetings Attended:

During the Financial year 2010-2011, Five Audit Committee Meetings were held on 1st April 2010, 30th April 2010, 3rd August 2010, 30th October 2010 and 25th January 2011. The composition of the Audit Committee and the number of meeting attended were as under:

Committee Members Attending the Meeting	Designation	No. of Meetings Attended
Mr. Sharad Rathi	Chairman	5
Mr. Dinesh Nandwana	Member	5
Mr. Suresh Gaggar	Member	5

c) Attendees:

The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Executive- Accounts attend such meetings. The Statutory Auditors are also invited to these meetings.

d) The Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee as defined by the Board are as under:

- i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - (b) Changes, if any, in accounting policies and practices and reasons for the same.
 - (c) Major accounting entries involving estimates based on the exercise of judgement by management.
 - (d) Significant adjustments made in the financial statements arising out of audit findings.
 - (e) Compliance with listing and other legal requirements relating to financial statements.
 - (f) Disclosure of any related party transactions.
 - (g) Qualifications in the draft audit report.
- vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ix) Discussion with internal auditors on any significant findings and follow up there on.
- x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- xi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

xiii) Review of information as prescribed under Clause 49 (II)(E) of the listing agreement.

e) Powers of the Audit Committee:

The Board has delegated the following powers to the Audit Committee:

- i) Investigating any activity within its terms of reference as above, or in relation to the items specified in Section 292A of the Companies Act, 1956, or as may be referred to it by the Board, from time to time and for this purpose, it shall have full access to information contained in the records of the Company and external professional advice, if necessary
- ii) Seek information from any employee.
- iii) Obtain outside legal or other professional advice, if necessary.
- iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

4. Subsidiary company:

- a) During the year under review, the Company acquired 50.21% stake in Sukartik Clothing Private Limited and thus it became a subsidiary of the company. Mr. Suresh Gaggar, Mr. Navratan Gaggar and Mr. Ramakant Gaggar are on the Board of the subsidiary company.
- b) The audit committee of the company reviews the financial statements of and investments made by the subsidiary company.
- c) The minutes of subsidiary company are placed before the board of directors of the company.
- d) Significant transactions and arrangements entered into by the subsidiary company are, periodically, also brought to the attention of the board of the company.

5. **Remuneration Committee**

a) Composition of Remuneration Committee and the number of meetings attended:

During the financial year 2010-2011, Mr. Deven Mehta, Mr. Suresh Gaggar and Mr. Ramakant Gaggar were Members of the Remuneration Committee but there were no meetings of the remuneration committee held.

b) Terms of reference:

The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company. It shall also administer the company's stock option plans, if any, including the review and grant of the stock options to eligible employees under plans. The committee may review the performance of the Executive Directors, if any and for the said purpose may lay down requisite parameters for each of the executive directors at the beginning of the year.

c) Remuneration Policy:

i) Management Staff:

Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance, etc.

ii) Non-Executive Directors :

The Company does not pay any sitting fees to the Non-executive Directors.

6. Shareholders'/Investors' Grievance Committee

a) Constitution and Composition of Shareholders' Grievance Committee:

The Shareholders' / Investors' Grievance Committee has been constituted to look into investor's complaints like transfer of shares, non-receipt of declared dividends, etc. and take necessary steps for redressal thereof. The Committee is a Board level committee under the Chairmanship of Mr. Suresh Gaggar, a Non-Executive Director. No Shareholders' / Investors' Grievance Committee Meetings held during the financial year 2010-11. The Composition of the Shareholders'/Investors' Grievance Committee and the number of meeting attended were as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Suresh Gaggar	Chairman	0
Mr. Ramakant Gaggar	Member	0
Mr. Deven Mehta	Member	0

b) Mr. Ramakant Gaggar is the Compliance officer of the Company.

c) During the year 2010-2011, the Company has received 2 complaints from shareholders / investors which were redressed timely. There were no complaints pending as at end of the year.

d) Share Transfers in Physical Mode

Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The Shareholders' Committee of the Company meets as often as required.

7. General Body Meetings

a) Location, time and date of holding of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Location of the Meeting
2007-08	30/09/08	4:30 P.M.	Raheja Chambers, Nariman Point Mumbai 400 021
2008-09	29/09/09	4:30 P.M.	Raheja Chambers, Nariman Point Mumbai 400 021
2009-10	29/09/10	10.00 A.M.	Raheja Chambers, Nariman Point Mumbai 400 021

b) Special Resolutions during previous three Annual General Meetings:

Financial Year	Particulars of Special Resolutions Passed
2007-08	Nil
2008-09	Nil
2009-10	Nil

- c) No Special resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

8. Disclosures

a) Related Party Transactions:

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives, etc that may have potential conflict with the interest of the Company at large.

Attention of members is drawn to the disclosures of transactions with the related parties set out in Notes on Accounts - Note No.11 of Schedule '19', forming part of the Annual Report.

The Company's major related party transactions are generally with its Associates considering various business and other factors.

All related party transactions are negotiated on arms length basis and are only intended to further the interest of the Company.

b) Statutory Compliance, Penalties and Strictures:

The Company has complied with requirements of the Stock Exchange/SEBI and Statutory Authorities on all matters related to capital markets during the last year. There are no penalties or strictures imposed on the Company by the Stock Exchange or SEBI or any Statutory Authorities relating to the above.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements. The Company does not have Whistle Blower Policy. No employee of the Company has been denied access to the Audit Committee of the Company.

- c) The Company has complied with the non-mandatory requirements relating to remuneration Committee. The financial statements of the Company are unqualified.

9. General Shareholder Information

a) Means of Communication:

The quarterly results of the Company are generally published in Free Press Journal and Dainik Navshakti. The Company proposes that all quarterly, half-yearly and full year audited results be published at least in 2 newspapers. The quarterly results shall further be submitted to the Bombay Exchange Limited shortly after the conclusion of the respective meetings.

No presentations were made to institutional investors or to the analysts during the year under review.

b) Annual General Meeting:

- Day, Date and Time : Thursday, 29th September 2011 at.
11.00 a.m.
- Venue : 901, Raheja Chambers,
Nariman Point, Mumbai 400 021
- Financial Year : 2010-2011
The Company follows April-March as its financial year.
The results for every quarter beginning from April are
declared in the month following the quarter.
- Date of Book Closure : 28th September 2011 to 29th September 2011
(both days inclusive).
- Dividend payment date : Dividend will be paid on or after 30th September 2011
- Listing on Stock Exchanges : The Company's shares are listed on Bombay Stock
Exchange Limited ("BSE") and Calcutta Stock Exchange
Association Limited ("CSE"). The Company has paid the
listing fees to the Bombay Stock Exchange Limited.

c) Stock Code / Symbol:

BSE - 512493

CSE 35007

ISIN No. INE590B01010

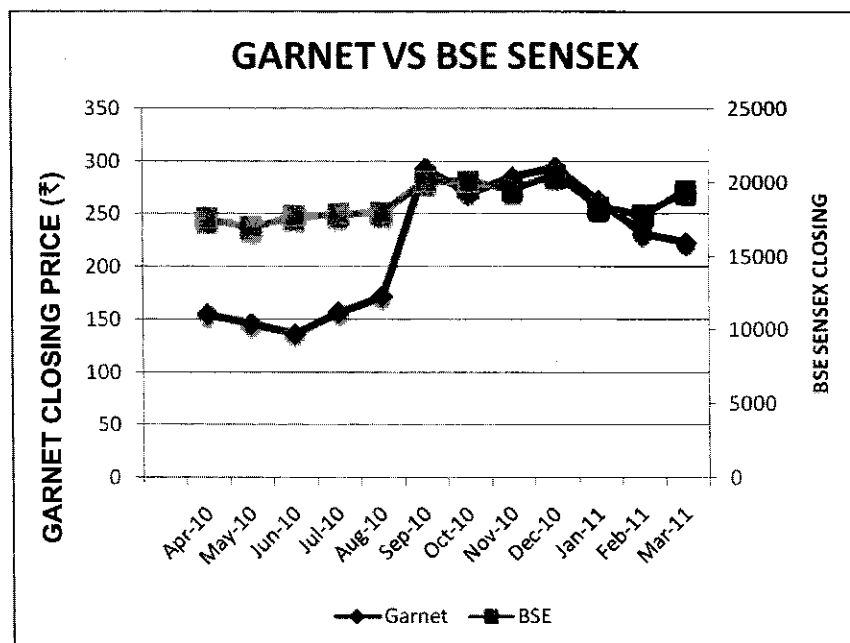
(fully paid up shares having face value of ₹.10)

d) Market Price Data:

*The monthly high and low quotations of shares traded on the Bombay Stock Exchange Ltd.
During each month post listing is as follows:*

Month	BSE	
	High (₹)	Low (₹)
April 2010	154.75	101.00
May 2010	170.55	128.15
June 2010	150.00	135.05
July 2010	164.25	132.50
August 2010	179.00	151.00
September 2010	340.00	175.00
October 2010	307.85	246.65
November 2010	332.00	250.00
December 2010	305.00	212.00
January 2011	325.00	252.00
February 2011	295.00	171.45
March 2011	249.75	210.05

e) Share Price Movement for the period April, 2010 to March 2011 Garnet International Limited vs BSE Sensex.



f) Share Transfer System:

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. They attend to share transfer formalities at least once in 15 days.

Garnet International Limited

Shares held in the dematerialized form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records for sending all corporate communications, dividend warrants, etc.

Physical shares received for dematerialisation are processed and completed within a period of 21 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

g) Category wise Shareholding as at March 31, 2011:

Sr. No.	Category	No. of Shares held	%
1.	Promoter Group	2741437	58.02%
2.	Non-Resident Indians	198886	4.21%
3.	Private Bodies Corporate	697608	14.76%
4.	Indian Public	1077713	22.81%
5.	Market Maker	9356	0.20%
	Total	4725000	100.00%

h) Distribution of Shareholding as at March 31, 2011:

Shareholding of Nominal Value (₹)	No. of Shareholders	% of Total	Share Capital Amount (₹)	% of Total
1 - 5,000	670	72.9050	938740	1.9870
5,001 - 10,000	83	9.0320	686750	1.4530
10,001 - 20,000	56	6.0940	803500	1.7010
20,001 - 30,000	26	2.8290	641210	1.3570
30,001 - 40,000	10	1.0880	352980	0.7470
40,001 - 50,000	11	1.1970	525390	1.1120
50,001 - 100,000	16	1.7410	1181730	2.5010
100,001 and above	47	5.1140	42119700	89.1420
	TOTAL 919	100.0000	47250000	100.0000

i) Dematerialisation of Shares and Liquidity:

About 99.81% of the shares have been dematerialized as on March 31, 2011. The equity shares of the Company are traded at Bombay Stock Exchange Ltd. (BSE) and Calcutta Stock Exchange Association Limited (CSE).

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- j) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity:

The Company has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on March 31, 2011.

- k) Registrar and Share Transfer Agents:

Link Intime India Pvt Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400078.

- l) Plant Locations: The Company does not have any manufacturing activities.

- m) Address for Correspondence:

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

Link Intime India Pvt Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400078.
Tele: 022 25963838
Fax: 022 25946969 / 25960329

For general correspondence:

Garnet International Limited
Secretarial Department
901, Raheja Chambers,
Free Press Journal Marg,
Nariman Point Mumbai 400 021.
Tel: 022 66369942, Fax: 022 66369943

CODE OF CONDUCT DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management Personnel have affirmed compliance with Code of Conduct for the year ended on 31st March, 2011.

For Garnet International Limited

Place: Mumbai
Date: 16th August 2011

Sharad Rathi
Chairman - Audit Committee

CEO/CFO certification

I, Sharad Rathi, Chairman of Audit Committee of Garnet International Limited to the best of my knowledge and belief, certify that:

- a. I have reviewed financial statements and the cash flow statement for the financial year 2010-2011 and that to the best of my knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - 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 regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that 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 we have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit committee
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances 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.

Place: Mumbai
Date: 16th August 2011

Sharad Rathi
Chairman Audit Committee

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
GARNET INTERNATIONAL LIMITED

We have examined the compliance with the conditions of Corporate Governance by GARNET INTERNATIONAL LIMITED ("the company"), for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the company with Stock Exchange(s) in India, with the relevant records and documents maintained by the company and furnished to us and the report of Corporate Governance as approved by the Board of Directors of the company.

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 statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement subject to that *the company does not have the whole time company secretary to act as the secretary of the audit committee which is not in conformity with the requirements of clause 49 of the listing agreements with the stock exchanges.*

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

For and on behalf of
R. S. AGRAWAL & ASSOCIATES
Chartered Accountants

Anuja Dedhia
Partner
M. No. 123589

Place : Mumbai
Dated : 16th August, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Forward-Looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is constantly exploring available opportunities. The company has taken constructive steps to undertake activities pertaining to garment industries and allied textile line through its subsidiary.

Opportunities and Threats

There is intense competition in the seamless garments produced by the subsidiary company still the company expects good opportunities through better quality control.

Outlook

The new activities in the subsidiary company promises a bright future. It is believed that the boom in the realty sector is just a beginning. The profit margins in the sector may increase further with expected liberalized government policies.

Internal control systems and their adequacy

Garnet's internal control systems and procedures are adequately commensurate with the magnitude of its current business. The operating and business control procedures have been planned and implemented in a manner that ensures efficient use of resources, as well as compliance with procedures and regulatory requirements. The internal control system is being further strengthened by laying out well-documented guidelines, approval and authorization procedures.

Environment and Safety

Being conscious of the need for environmentally clean and safe operations, the Company conducts its operations ensuring safety of all concerned, compliance of statutory and industrial requirements for environmental protection and conservation of natural resources to the extent possible.

Human Resources

During the year under review, the Company has enjoyed cordial professional relations with employees at all levels.

AUDITORS' REPORT

TO,
THE MEMBERS,
GARNET INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of M/s. **GARNET INTERNATIONAL LIMITED** (hereinafter referred to as "the company") as at 31st March 2011, the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 Companies (Auditors' Report) Order 2003 (hereinafter referred to as "the CARO 2003"), issued by the Central Government of India in terms of the section 227 (4A) of the Companies Act, 1956 (hereinafter referred to as "the Act"), we give in the annexure a statement on the matters specified in the paragraph 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to 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 the 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 account;
 - d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e. based on the representation made by the directors of the company and information and explanation given to us, none of the directors is prima-facie disqualified as on 31st March, 2011, from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Act, on the said date; and
 - f. As stated in note no. 10 of Schedule 19,
 - i) Loans & Advances, involving an amount of ₹279.88 lacs, (year end outstanding ₹100.79 lacs) given during the year under review, are in contravention of provisions of Section 295 of the Act; and
 - ii) Contracts of purchase and sale of shares, amounting to ₹ 787.52 lacs and ₹ 1021.21 lacs respectively entered in to during the year, are in contravention of provisions of section 297 of the Act;

The possible impact of these non-compliances, in the event of the company's condonation requests are not granted has not been determined or recognized in the financial statements.

in our opinion and to the best our information and according to the explanations given to us, the said accounts, subject to our comments in paragraphs 4 (f) above and the consequential effects thereof which are not quantifiable, read together with Significant Accounting Policies and Notes on Accounts in Schedule '18' and '19' respectively give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in case of Balance Sheet, of the state of affairs of the company as at 31st March, 2011;
- ii) in the case of Profit and Loss Account, of the profit for the year ended on that date and;
- iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place : Mumbai
Date: 16th August, 2011

Anuja Dedhia
Partner
Membership No. 123589

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011 OF GARNET INTERNATIONAL LIMITED ON THE BASIS OF SUCH CHECKS AS WE CONSIDERED APPROPRIATE AND IN TERMS OF THE INFORMATION AND EXPLANATIONS GIVEN TO US, WE STATE THAT:

1. in respect of fixed assets:
 - a) the company has maintained records, showing particulars including quantitative details and situation of its fixed assets;
 - b) as explained to us, all the fixed assets have been physically verified by the management at the end of year. We are informed that no material discrepancies have been noticed by the management on such verification as compared to the aforesaid records of fixed assets; and
 - c) during the year company has not disposed off any of its fixed assets.
2. in respect of inventory:
 - a) as explained to us, inventories of shares and securities have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;
 - b) the procedures, as explained to us, that followed by the management for physical verification of shares and securities, are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business; and
 - c) on the basis of our examination of the records of shares and securities of the company, we are of the opinion that, the company is maintaining proper records. No material discrepancies have been noticed on physical verification of shares and securities held as stock-in-trade as compared to book records.
3. according to information and explanation given to us :
 - a) the company has granted unsecured loan to the companies, firm and other parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 522.88 lacs to 7 parties. The year end balance was ₹ 235.79 lacs from such 6 parties (including a party having outstanding since last year);
 - b) the terms and conditions of the aforesaid loans granted are prima facie not prejudicial to the interest of the company however such loans were granted free of interest;
 - c) the receipt of principal amount of the aforesaid loans granted is regular;
 - d) since the aforesaid loans granted, as informed to us, are receivable on demand, therefore no amount has been classified as overdue;
 - e) the company has taken unsecured loan from the companies, firm and other parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 9.38 lacs from 2 parties. The year end balance was Rs. Nil;
 - f) the terms and conditions of the aforesaid loans taken were prima facie not prejudicial to the interest of the company and such loans were taken free of interest; and

Garnet International Limited

- g) since the aforesaid unsecured loans taken, as informed to us, were repayable on demand, therefore the payment of the principal amount of same is considered to be regular.
4. on the basis of selective checks carried out during the course of audit and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any major weaknesses in internal control system.
5. a) according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, have been entered in the register required to be maintained under that section; and
- b) in our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time where such market prices are available. However, in respect of certain transactions of purchase and sale of shares, we are unable to comment in respect thereof in absence of similar transactions with other parties at the relevant time.
6. in our opinion, the company has not accepted any deposit from the public within the meaning of section 58A and 58AA of the Act and the Rules framed there under.
7. the company is required to have an internal audit system as the company's paid-up capital and reserves at the commencement of financial year exceeds ₹ 50 lacs and its average annual turnover of preceding three years also exceeds ₹ 5.00 crores, however, the company, during the year, had no such internal audit system;
8. we are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Act.
9. in respect of statutory dues:
- a) according to the information and explanations given to us, the company has generally been regular in depositing undisputed statutory dues 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 as applicable to it. There are no arrears of undisputed statutory dues as at the last day of financial year concerned, outstanding for a period of more than six months from the date they became payable; and
- b) according to the information and explanations given to us, there are no dues of Income tax/ Sales Tax/ Wealth Tax/ Service Tax/ Custom Duty/ Excise Duty/ Cess, outstanding on account of any dispute.
10. the accumulated losses of the company at the end of the financial year have not exceeded fifty percent of its net worth. The company has not incurred cash losses during the financial year under audit and also in the immediately preceding financial year;
11. as per the information and explanation given to us and based on documents and record produced to us, there were no dues payable to any financial institution, bank or debenture holders during the year;
12. according to the information and explanation given to us and based on documents and record produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;

13. in our opinion, the company is not a chit or a nidhi / mutual benefit fund or a society;
14. in respect of dealing / trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, records have been maintained of the transactions and contracts and timely entries have been made therein. The shares and other investments have been held by the company in its own name or in process of transfer in the name of the company except to the extent of exemptions provided by section 49 of the Act;
15. according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions;
16. as per the records of the company, the company has not obtained any term loan during the year;
17. as per the information and explanation given to us and on the overall examinations of the financial statements of the company, we are of the opinion that funds raised on short-term basis have not been utilized for long-term investments;
18. during the year, the company has not made any preferential allotment of share to parties and companies covered in the Register maintained under Section 301 of the Act;
19. the company did not have any outstanding debenture during the year;
20. the company has not raised any money through a public issue during the year; and
21. based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place : Mumbai
Date: 16th August, 2011

Anuja Dedhia
Partner
Membership No. 123589

Garnet International Limited

BALANCE SHEET AS AT 31ST MARCH, 2011

(Amt in ₹)

PARTICULARS	Sch	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	1	47250000.00	47250000.00
Reserves & Surplus	2	164366760.05	139000000.00
		211616760.05	186250000.00
LOAN FUNDS			
Secured Loans	3	70000000.00	0.00
Total		281616760.05	186250000.00
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	13675675.05	8307348.05
Less : Depreciation		5338109.55	4859060.92
Net Block		8337565.50	3448287.13
INVESTMENTS			
	5	93119728.67	42583796.64
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories		69439972.75	55081347.14
Cash and Bank Balances	6	19853594.80	22913988.50
Sundry Debtors	7	4308759.46	39618.74
Loans and Advances	8	111891439.28	62582568.91
		205493766.29	140617523.29
LESS :CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities	9	610125.97	239353.47
Provisions	10	24435346.44	16754675.44
		25045472.41	16994028.91
NET CURRENT ASSETS		180448293.88	123623494.38
DEFERRED TAX ASSET(LIABILITIES)	11	(288828.00)	461248.00
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	12	0.00	34625.58
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT	13	0.00	16098548.27
Total		281616760.05	186250000.00
SIGNIFICANT ACCOUNTING POLICIES	18		
NOTES FORMING PART OF ACCOUNTS	19		

Schedules referred to above are integral part of financial statements

As per our attached report of even date
For and on behalf of
R.S.AGRawal & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Anuja Dedhia
Partner
Membership No. 123589

Place : Mumbai
Date : 16th August, 2011

For and on behalf of the Board

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Date : 16th August, 2011

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Garnet International Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Amt in ₹)

PARTICULARS	Sch	For the year ended 31.03.2011	For the year ended 31.03.2010
INCOME:			
Sales and other income	14	411001383.66	185973480.63
Increase/(decrease) in stock	15	14358625.61	55081347.14
		425360009.27	241054827.77
EXPENDITURE :			
Purchases of shares		361804548.91	179496000.61
Loss (Profit) on F&O transactions		1972272.68	10621213.80
STT and share trading expenses		6820301.76	900106.39
Personnel Expenses	16	589548.00	229707.00
Administrative and Other Expenses	17	2101514.65	2089434.03
Interest		1531398.00	0.00
Depreciation	4	479048.64	194721.96
Miscellaneous Expenditure written off	12	34625.58	36953.08
		375333258.22	193568136.87
PROFIT/ (LOSS) BEFORE TAX		50026751.05	47486690.90
PROVISION FOR TAXATION			
Current Tax		10093000.00	8783100.00
MAT credit entitlement		(7243083.00)	(2136231.00)
Deferred Tax Liability (Assets)		750076.00	(461248.00)
		3599993.00	6185621.00
PROFIT/ (LOSS) AFTER TAX		46426758.05	41301069.90
Add/(Less) : Tax Adjustments for earlier years		548314.26	763450.00
Add : MAT credit entitlement for earlier years		0.00	2659573.00
		46975072.31	44724092.90
Add: Balance brought forward from previous year		(16098548.27)	(55312877.73)
PROFIT AVAILABLE FOR APPROPRIATION		30876524.05	(10588784.83)
APPROPRIATIONS			
Proposed dividend		4725000.00	4725000.00
Tax on distributed profits		784764.00	784763.44
Balance carried over to balance sheet		25366760.05	(16098548.27)
BASIC AND DILUTED EARNING PER SHARE (See Note No. '15' of Schedule '19')		9.94	9.47
SIGNIFICANT ACCOUNTING POLICIES	18		
NOTES FORMING PART OF ACCOUNTS	19		

Schedules referred to above are integral part of financial statements

As per our attached report of even date
For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

For and on behalf of the Board

Suresh Gaggar
Director

Anuja Dedhia
Partner
Membership No. 123589

Ramakant Gaggar
Director

Place : Mumbai
Date : 16th August, 2011

Place : Mumbai
Date : 16th August, 2011

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Garnet International Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Amt in ₹)

(A) CASH FLOW FROM OPERATING ACTIVITIES	2010-2011	2009-2010
Net profit before tax and extraordinary items	50026751.05	47486690.90
Adjustment for:		
Depreciation	479048.64	194721.96
Miscellaneous expenditure written off	34625.58	36953.08
Loss / (Profit) on sale of Fixed Assets	0.00	0.00
Loss / (Profit) on sale of Investments	(40308478.43)	(56704513.87)
Investment Income:		
- Interest	(232484.06)	(441169.45)
- Dividend	0.00	(647736.00)
Interest Expenses	1531398.00	0.00
Operating Profit before Working Capital changes	11530860.78	(10075053.38)
Adjustment for:		
- Trade and other Receivables	(29291214.72)	(23543718.87)
- Inventories	(14358625.61)	(55081347.14)
- Trade Payables	375543.50	(924435.43)
Cash generated from operations	(31743436.05)	(89624554.82)
Direct taxes paid	(19697263.11)	(68525.04)
Cash flow before extraordinary Items	(51440699.16)	(89693079.86)
Extraordinary Items	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	(51440699.16)	(89693079.86)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investments (Net)	(50535932.03)	56167969.57
Purchase of Fixed Assets	(5368327.00)	(2309173.00)
Loan (given) / Refund	0.00	0.00
Sale of Fixed Assets	0.00	0.00
Interest / Other income	232484.06	441169.45
Profit / (Loss) on sale of Investments	40308478.43	56704513.87
Dividend received	0.00	647736.00
Proceeds from / Payment for Deposits	0.00	0.00
NET CASH USED IN INVESTING ACTIVITIES	(15363296.54)	111652215.89
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	626200.00
Premium on Share Capital	0.00	3005760.00
Miscellaneous Expenditure	0.00	0.00
Proceeds from Long Term Borrowings	0.00	0.00
Repayment of Long Term Borrowings	0.00	0.00
Proceeds from Short Term Borrowings	70000000.00	(2760760.00)
Repayment of Short Term Borrowings	0.00	0.00
Changes in Working Capital Borrowings from Banks	0.00	0.00
Interest Paid	(1531398.00)	0.00
Dividend paid	(4725000.00)	0.00
NET CASH FROM FINANCING ACTIVITIES	63743602.00	871200.00
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(3060393.70)	22830336.03
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	22913988.50	83652.47
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	19853594.80	22913988.50

Notes to cash flow statement:

1. All figures in brackets are outflow.
2. Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date

For and behalf of
R.S.AGRAWAL & ASSOCIATES
 Chartered Accountants
 (Registration no. 100156W)

For and on behalf of the Board

Suresh Gaggar
 Director

Anuja Dedhia
 Partner
 Membership No. 123589

Ramakant Gaggar
 Director

Place : Mumbai
 Date : 16th August, 2011

Place : Mumbai
 Date : 16th August, 2011

Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Amt in ₹)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE '1' SHARE CAPITAL :		
AUTHORISED :		
75,00,000 (Previous Year 75,00,000) Equity Shares of ₹ 10/- each	75000000.00	75000000.00
	75000000.00	75000000.00
ISSUED, SUBSCRIBED & PAID UP :		
47,25,000 (Previous Year 47,25,000) Equity Shares of ₹ 10/- each	47250000.00	47250000.00
Total	47250000.00	47250000.00
SCHEDULE '2' RESERVES & SURPLUS :		
Securities Premium Account	139000000.00	139000000.00
Surplus in Profit and Loss Account	25366760.05	0.00
Total	164366760.05	139000000.00
SCHEDULE '3' SECURED LOANS :		
Inter-Corporate Deposits/Loans (Repayable within one year ₹ 700 lacs)	70000000.00	0.00
Total	70000000.00	0.00
Notes on Nature of security:		
The above Intercorporate loans are secured by pledge of 325000 Equity shares of ₹ 10/- each of ARSS Infrastructure Projects Ltd. (held by the company as Investments)		

SCHEDULE 4: FIXED ASSETS
 SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

PARTICULARS	GROSS BLOCK (At cost)				DEPRECIATION				NET BLOCK	
	As at 31.03.2010	Addition during the year	Sold / Transfer during the year	As at 31.03.2011	Total up to 31.03.2010	Provided for the year	Written back during the year	Total up to 31.03.2011	Total as at 31.03.2011	Total as at 31.03.2010
LAND	78090.00	3010000.00	0.00	3088090.00	0.00	0.00	0.00	0.00	3088090.00	78090.00
COMPUTERS	527300.00	15500.00	0.00	542800.00	481109.41	10443.29	0.00	491552.70	51247.30	46190.59
OFFICE EQUIPMENTS	1210810.05	0.00	0.00	1210810.05	532913.28	57513.49	0.00	590426.77	620383.28	677896.77
COMPUTER SOFTWARES	3481275.00	0.00	0.00	3481275.00	3481275.00	0.00	0.00	3481274.99	0.01	0.00
EQUIPMENTS	192500.00	0.00	0.00	192500.00	134963.42	13609.76	0.00	148573.18	4326.82	57536.58
VEHICLES	2817373.00	2342827.00	0.00	5160200.00	228799.81	397482.10	0.00	626281.91	4333918.09	2588573.19
Total as on 31.03.2011	8307348.05	5368327.00	0.00	13675675.05	4859060.92	479048.64	0.00	5338109.55	8337565.49	3445287.13
Total as on 31.03.2010	5998175.05	2309173.00	0.00	8307348.05	4664338.96	194721.96	0.00	4859060.92		

(Amt in ₹)

Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Amt in ₹)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE '5' INVESTMENTS :		
Long Term : At cost		
A. Investment in Government Securities:		
National Saving Certificates(*)	23000.00	23000.00
Interest on National Saving Certificates	2031.00	1877.00
	25031.00	24877.00
B. Investment in Shares of a Subsidiary Company: (Unquoted)		
121000 (0) fully paid up equity shares of ₹ 10/- each of Sukartik Clothing Pvt. Ltd	16700000.00	0.00
	16700000.00	0.00
C. Investment in a Associate Company:		
60000 (60000) fully paid up equity shares of ₹ 100/- each of Bhuta Investment Private Limited	12000000.00	12000000.00
	12000000.00	12000000.00
D. Non Trade Investments:		
i. Quoted		
36 (736) fully paid up equity shares of ₹ 10/- each of Vakrange Software Limited	5952.39	121693.31
75000 (259890) fully paid up equity shares of ₹ 10/- each of Suryajyoti Spinning Mills Limited (See Note No. '12' to Schedule '19')	4053828.95	14047328.04
0 (6513) fully paid up equity shares of ₹ 10/- each of Reliable Ventures I. L.	0.00	205448.63
325697 (415000) fully paid up equity shares of ₹ 10/- each of ARSS Infrastructure Projects Ltd.	4507583.33	15879666.66
(206400) (0) fully paid up equity shares of ₹ 10/- each of Ambitious Plastomac Company.Limited	6147550.00	0.00
	14714914.67	30254136.64
ii. Unquoted		
605000 (0) fully paid up equity shares of ₹10/- each of T.N.R Infrastructures Limited	45375000.00	0.00
400000(0) fully paid up equity shares of ₹10/- each of Reliable Smart City Private Limited	4000000.00	0.00
	49375000.00	0.00
In commodities:		
16.445 Kg. (16.445 kg) Silver Bar	304783.00	304783.00
(*) stands in the name of one of the directors		
Total	93119728.67	42583796.64
Aggregate Cost of Quoted Investments	14714914.67	30254136.64
Aggregate Market Value of Quoted Investments (See Note No. '7' of Schedule '19')	175653189.15	391441606.20
Aggregate Cost of Unquoted Investments	78075000.00	12000000.00

Purchase and sale /redemption of investments during the year:

Description	Acquisition		Disposals	
	Nos.	(Amt.in ₹)	Nos.	(Amt. in ₹)
Equity Shares				
Sukartik Clothing Pvt Ltd	121000	16700000		
Vakrangee Software Limited			700	204224.50
Suryajyoti Spinning Mills Limited			184890	9072180.59
Reliable Ventures India Limited			6513	136972.79
Reliable Smart City Private Limited	400000	4000000		
ARSS Infrastructure Projects Limited			89303	59013909.29
Ambitious Plastomac Company Limited	206400	6147550		
TNR Infrastructures Limited	605000	45375000		

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Amt in ₹)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE '6' CASH AND BANK BALANCES :		
Cash on hand	455062.00	308847.00
Bank Balances with Scheduled Banks		
In Current Account	19094534.84	2659909.61
In Fixed Deposit Accounts	273025.00	19887428.00
Interest accrued on Fixed Deposits	30972.96	57803.89
Total	19853594.80	22913988.50
SCHEDULE '7' SUNDRY DEBTORS :		
(Unsecured, Considered good)		
Outstanding for more than six months	0.00	0.00
Others	4308759.46	39618.74
(See Note No. '13' to Schedule '19')		
Total	4308759.46	39618.74
SCHEDULE '8' LOANS & ADVANCES :		
(Unsecured, Considered good, unless otherwise stated)		
Loan to a Subsidiary	13500000.00	0.00
Intercompany Loans	34478521.13	33014771.13
(See Note No. '14(a)' to Schedule '19')		
Advances recoverable in cash or in kind or for value to be received.	304005.00	40681.00
Advances for Investments	2575000.00	22780000.00
(See Note No. '14(b)' to Schedule '19')		
Deposits	30030000.00	30000.00
(See Note No. '9' to Schedule '19')		
Income tax & Tax deducted at source	31003913.15	6717116.78
Total	111891439.28	62582568.91
SCHEDULE '9' CURRENT LIABILITIES :		
Sundry creditors:		
a) Dues of Micro enterprise and small enterprise	0.00	0.00
b) Dues of creditors other than Micro enterprise and Small enterprise	279048.83	198255.15
(See note no. '6' of schedule '19')		
Other Liabilities	249076.14	41098.32
Unpaid Dividend	82001.00	0.00
Total	610125.97	239353.47
SCHEDULE '10' PROVISIONS :		
Provision for tax	18876099.44	11200200.00
Provision for Proposed Dividend	4725000.00	4725000.00
Provision for tax on distributed profit	784764.00	784763.44
Provision for Gratuity	49483.00	44712.00
Total	24435346.44	16754675.44
SCHEDULE '11' DEFERRED TAX ASSET/(LIABILITIES):		
Arising on account of timing difference:		
Deferred tax assets:		
Business losses	39682.00	711368.00
Deferred tax liability:		
Depreciation	(328510.00)	(250120.00)
Total	(288828.00)	461248.00
SCHEDULE '12' MISCELLANEOUS EXPENDITURE :		
(to the extent not written off or adjusted)		
Miscellaneous Expenditure	34625.58	71578.66
Less : Written off during the year	34625.58	36953.08
Total	0.00	34625.58
SCHEDULE '13' PROFIT AND LOSS ACCOUNT :		
Debit Balance in Profit and Loss Account	0.00	(16098548.27)
Total	0.00	(16098548.27)

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Amt in ₹)

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
SCHEDULE '14' SALES AND OTHER INCOME :		
Sale of Shares	368770349.67	128180061.31
Profit (Loss) on sale of shares (intra-day)	(6432036.77)	1445481.24
Profit (Loss) on sale of Investments	46740515.20	55259032.63
Dividend	1690071.50	647736.00
Interest	232484.06	441169.45
(Gross, TDS ₹ 21599.11/- Pr. Yr. ₹ 29036.04/-)		
Total	411001383.66	185973480.63
SCHEDULE '15' INCREASE/(DECREASE) IN STOCK :		
Closing Stock	69439972.75	55081347.14
Less: Opening Stock	55081347.14	0.00
	14358625.61	55081347.14
SCHEDULE '16' PERSONNEL EXPENSES :		
Salaries and other allowances	505247.00	198724.00
Contribution to PF and other funds	42459.00	12456.00
Staff Welfare	41842.00	18527.00
Total	589548.00	229707.00
SCHEDULE '17' ADMINISTRATIVE AND OTHER EXP.:		
Advertisement & Publicity	105866.00	102193.00
Auditors Remuneration	308842.00	190269.00
(See note No. '4' of Schedule '19')		
Bank Charges & Commission	25.00	22.06
Brokerage & Commission	247494.00	0.00
Travelling & Conveyance	62760.00	26465.00
Miscellaneous Expenses	411617.81	79259.93
Communication Expenses	134613.00	58557.04
Printing & Stationery	246827.00	51901.00
Repairs & Maintenance	12495.00	1640.00
Legal & Professional Charges	131593.84	41575.00
Insurance expenses	39781.00	2552.00
Donation	399600.00	1535000.00
Total	2101514.65	2089434.03

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SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

- (a) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the provisions of the Companies Act 1956 following the mercantile system of accounting and recognising income and expenditure on accrual basis.
- (b) The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

2. FIXED ASSETS

All fixed assets except land are stated at cost of acquisition less accumulated depreciation.

3. INVESTMENTS

- (a) Long term Investments are being valued at cost of acquisition. Provision is made to recognize a decline, other than temporary, in the carrying amount of long term investments.
- (b) Short term investments are being valued at cost or market value whichever is lower.

4. VALUATION OF STOCK OF SHARES AND SECURITIES

Shares and securities held as "stock-in-trade" are valued at cost or net realizable value whichever is lower and on FIFO basis.

5. DEPRECIATION

- (a) No depreciation is provided on land.
- (b) Depreciation on fixed assets is being provided on "Straight line method basis" at the rates specified in Scheduled XIV to the Act.
- (c) Depreciation in respect of addition to fixed assets is provided on pro-rata basis from the month in which such assets are acquired/ installed.
- (d) Depreciation on fixed assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, discarded or demolished.

6. EXPENDITURE FOR BENEFIT OF ENDURING NATURE

Miscellaneous expenditure, such as preliminary expenditure and share issue expenditure is amortised over a period of 10 years from the financial year in which it is incurred.

7. INCOME FROM INVESTMENTS

Incomes from Investments, where appropriate, are taken into revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.

8. TREATMENT OF CONTINGENT LIABILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of Income Tax, Sales Tax etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advances till the final disposal of the matter.

9. TAXES ON INCOME:

Income tax expense comprises of Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the assessable income at the rate applicable for the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets, arising mainly on account of unabsorbed depreciation and losses under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized, only to the extent there is a reasonable certainty of its realization. At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

SCHEDULE 19: NOTES FORMING PART OF THE ACCOUNTS

- In the opinion of the Board, the current assets, loans and advances are approximately of the value stated if recognize in the ordinary course of business. The provision for all the known liabilities is adequate. There is no unrecognized impairment loss.
- Figures of the previous year have been regrouped, rearranged and recasted to make them comparable with the figures of the current year.
- In the financial statements, any discrepancies in any total and the sum of the amounts listed are due to rounding off.
- Auditors' Remuneration:

Particulars	Current Year (₹)	Previous Year (₹)
Audit Fees	1,93,025.00	1,32,360.00
Tax Audit Fees	33,090.00	33,090.00
Income tax matters	60,665.00	5,515.00
Certifications	22,062.00	19,303.00
Total	3,08,842.00	1,90,268.00

- No managerial remuneration has been paid to any of its director, hence, no computation of managerial remuneration u/s. 349 of the Companies Act. 1956 is given.
- As per the information available with the Company in response to the enquiries from all existing suppliers with whom Company deals, none of the suppliers are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March 2011.
- The market value of quoted investments are based on the quotations of the Stock Exchange, Mumbai as on 31.03.2011 wherever available or the nearest date to the close of year.
- Details of Loan given to a Subsidiary Company:

Sukartik Clothing Private Limited

Particulars	Current Year (₹.)	Previous Year (₹.)
Year end Balance	1,35,00,000.00	NIL
Maximum amount outstanding during the year	2,40,00,000.00	NIL

- During the year the Company has taken office premises on leave and license basis. The same is not non-cancellable and for a period of 11 months and renewable at the mutual consent at mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with agreed terms. No rentals are payable on such lease.
- The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:
 - Loans & Advances, involving an amount of ₹ 279.88 lacs, (year end outstanding ₹ 100.79 lacs) given by the company during the year, are in contravention of provisions of Section 295 of the Act;
 - Contracts of purchase and sale of shares and securities, amounting to ₹ 787.52 lacs and ₹ 1021.21 lacs respectively entered into by the company at arm length prices in during the year, are in contravention of provisions of section 297 of the Act;
- Related Party Disclosure:

Related party disclosures as required by Accounting Standard (AS) -18 "Related Party Disclosures", notified by Companies (Accounting Standards) Rules, 2006(as amended) are given below:

(a) Relationships:

1. Subsidiary Company:

Sukartik Clothing Private Limited

2. Associate Company:

Bhuta Investment Private Limited

Garnet International Limited

(b) The following transactions were carried out with the related parties in the ordinary course of business:

Sr. No	Nature of Transaction	Subsidiary Company	Associate Company	Total
(1)	FINANCE / OTHERS			
a	Loans/Advances given			
	Bhuta Investment Pvt. Ltd.	-	941.00	941.00
		(-)	(6.55)	(6.55)
	Sukartik Clothing Pvt. Ltd.	325.00	-	325.00
	Total	(192.05)	(-)	(192.05)
		325.00	941.00	1266.00
		(192.05)	(6.55)	(198.60)
b	Loans/Advances taken			
	Bhuta Investment Pvt. Ltd.	-	4.75	4.75
		(-)	(-)	(-)
	Sukartik Clothing Pvt. Ltd.	220.00	-	220.00
	Total	(-)	(-)	(-)
		220.00	4.75	224.75
		(-)	(-)	(-)
c	Security Deposit Given			
	Bhuta Investment Pvt. Ltd.	-	300.00	300.00
	Total	(-)	(-)	(-)
		-	300.00	300.00
		(-)	(-)	(-)
(2)	OUTSTANDING AS AT THE BALANCE SHEET DATE			
a	Advance / Loans Recoverable			
	Sukartik Clothing Pvt. Ltd.	135.00	-	135.00
	Total	(-)	(-)	(-)
		135.00	-	135.00
		(-)	(-)	(-)
b	Security Deposit Given			
	Bhuta Investment Pvt. Ltd.	-	300.00	300.00
	Total	(-)	(-)	(-)
		-	300.00	300.00
		(-)	(-)	(-)

Related party relationship is identified by the Company and relied upon by the auditors.
(Figures in brackets relate to the previous year)

- 75000 equity shares of Suryajyoti Spinning Mills Limited, held as investments, were given as security to VSB Investment Private Limited, towards margin for trading in shares and securities.
- The company has dealt in shares and securities through Amgis Holding Private Limited and Pals Overseas Private Limited who are members of recognized stock exchanges at the arms length prices. A director of the company is interested in these companies. Sundry Debtors include the following amounts due from these companies:

Name of the party	(Amt in ₹)			
	Debit Balance as on		Maximum debit balance at any time during the year	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Amgis Holding Private Limited	-	39,618.74	23209283.06	54,92,855.23
Pals Overseas Private Limited	-	-	508417.91	1075207.69

Garnet International Limited

14. a) Inter corporate loans include the following amount due from the parties and companies in which director/their relatives are interested as proprietor(s) and director(s) respectively.

(Amt in ₹)

Name of the party	Debit Balance as on		Maximum debit balance at any time during the year	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Bhuta Investments Pvt. Limited	Nil	Nil	1,92,00,000.00	5,40,000.00
Reliable Reality Pvt.Ltd	25,00,000.00	25,00,000.00	25,00,000.00	25,00,000.00
Evergreen Infotech & datacom P. Ltd	13,50,000.00	30,00,000.00	16,50,000.00	30,00,000.00
Senorita Impex Pvt. Ltd	6,70,450.00	10,00,000.00	3,29,550.00	10,00,000.00
Alaukik Mines & Power Pvt Ltd	4,58,300.00	Nil	4,58,300.00	Nil
GVS Chemicals Pvt Ltd	51,00,000.00	Nil	61,00,000.00	Nil

- b) Advance for investments represents amount given to following companies in which director(s) are interest as director(s):

(Amt in ₹)

Name of the party	Debit Balance as on		Maximum debit balance at any time during the year	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Sukartik Clothing Pvt. Ltd. (Sh. Appl.Money)	Nil	75,00,000.00	167,00,000.00	75,00,000.00
Minex Explore Pvt. Ltd (Sh. Appl.Money)	5,75,000.00	2,80,000.00	5,75,000.00	2,80,000.00

15. Contingent liabilities not provided for: Nil (Nil)

16. The company has provided gratuity payable to its employees at full value without ascertaining the present value of future payment of gratuity as the Payment of Gratuity Act, 1972 is, in view of number of employees, not applicable to the company. The company has recognised as an expense, the short term benefits to its employees such as bonus, leave encashment etc.

17. Basic and diluted earning per share:

	Unit	2010-2011	2009-2010
Profit/(Loss) for the year	Rupees	46975072	44724093
Weighted Equity Shares	Numbers	4725000	4725000
Basic and Diluted EPS	Rupees	9.94	9.47
Nominal Value of Shares	Rupees	10	10

18. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (figures in bracket indicate previous year figures):

- a) Capacities

	2010-2011	2009-2010
i) Licensed capacity	N.A.	(N.A.)
ii) Installed capacity	N.A.	(N.A.)
iii) Actual production	N.A.	(N.A.)

Garnet International Limited

b) Opening Stock, Purchases, Sales and Closing Stock (As taken and certified by the Management:

	2010-2011		2009-2010	
	Quantity (In numbers)	Value (In ₹)	Quantity (In numbers)	Value (In ₹)
(i) Opening Stock Shares and securities	7,97,050	55,081,347.14	-	-
(ii) Closing Stock Shares and Securities	1,511,314	69,439,972.75	797,050	55,081,347.14
Gini Silk Mills Limited	569,318	28,266,638.70	-	-
Jayavant Products Limited	1,200	23,640.00	1,200	42,780.00
Suryalakshmi Cotton Mills Limited	66,051	5,558,191.65	-	-
Pankaj Polymer Limited	829,933	12,366,001.70	720,850	13,817,781.07
Reliable Ventures India Limited	18	320.40	-	-
Krypton Industries Limited	1,000	16,550.00	-	-
ARSS Infrastructure Projects Limited	43,794	23,208,630.30	3,000	2,785,500.00
Ranabaxy Laboratories Limited	-	-	20,000	9,498,000.00
Sterlite Industries (India) Limited	-	-	10,000	8,214,130.73
Sesa Goa Limited	-	-	35,000	15,539,305.34
Siemens Limited	-	-	7,000	5,183,850.00
(iii) Purchases Shares and securities	2935314	361,804,548.91	1173978	179,496,000.61
(iv) Sales Shares and securities	2221050	368,770,349.67	376928	128,180,061.31

(v) Notes:

- Figures of purchases and sales of shares and securities are exclusive of intra-day and F&O transactions.
- The class of items traded in shares and securities, the details of opening and closing stock have been given as an additional information.

	2010-2011	2009-2010
c) Earning in Foreign Exchange (₹)	Nil	(Nil)
d) Expenditure in Foreign Currency	Nil	(Nil)

Signatures to schedules 1 to 18

Schedules referred to above are integral part of financial statements

For and on behalf of the board

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place: Mumbai

Date: 16th August 2011

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Garnet International Limited

Balance Sheet abstract and Company's General Business Profile pursuant to part VI to the Companies Act, 1956.

I. Registration Details

Registration No. : 93448 State Code : 11
 Balance Sheet Date : 31.03.2011

II. Capital raised during the year (₹ in thousands)
 Public Issue NIL
 Right Issue NIL
 Bonus Issue NIL
 Private Placement NIL

III. Position of Mobilisation and Deployment of Funds (₹ in thousands)
 Total Liabilities 306658
 Total Assets 306658

Source of funds	(₹ in thousands)	Application of funds	(₹ in thousands)
Paid-up Capital	47250	Net Fixed Assets	8338
Reserve & Surplus	164367	Investments	93120
Secured Loans	70000	Net Current Assets	180448
Unsecured Loans	0	Deferred Tax Asset	(293)
		Misc. Expenditure	0
		Accumulated Losses	0
Total	281613	Total	281613

IV. Performance of Company (₹ in thousands)
 Income from Operation and other income 0
 Total Expenditure 375333
 Profit/(Loss) before tax 50027
 Profit/(Loss) after tax 46427
 Earning per share (₹) 9.94
 Dividend rate 10%

V. Generic Names of Principal Products of Company (as per monetary terms)

1. Dealing in shares and securities
2. Making investments

For and on behalf of the board

Suresh Gaggar
 Director

Ramakant Gaggar
 Director

Place: Mumbai
 Date: 16th August 2011

Garnet International Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary company

Name of the Subsidiary	Number of shares in the subsidiary company held by Garnet International Limited at the financial year ending date		The net aggregate of profits/(losses) if the subsidiary company so far as the concern the members of Garnet International Limited			
	Equity	Extent of holding	For the current financial year		For the previous financial years	
			Dealt with in the accounts of Garnet International Limited for the year ended 31 st March 2011	Not Dealt with in the accounts of Garnet International Limited for the year ended 31 st March 2011	Dealt with in the accounts of Garnet International Limited for the year ended 31 st March 2011	Not Dealt with in the accounts of Garnet International Limited for the year ended 31 st March 2011
Numbers	%	₹	₹	₹	₹	
Sukartik Clothing Private Limited	121000	50.21	-	-	Not applicable	Not applicable

For and on behalf of the board

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place: Mumbai
Date: 16th August 2011

AUDITORS' REPORT

TO,
THE BOARD OF DIRECTORS,
GARNET INTERNATIONAL LIMITED

1. We have audited the attached Consolidated Balance Sheet of M/s. **GARNET INTERNATIONAL LIMITED** (hereinafter referred to as "the company") and its subsidiary M/s. Sukartik Clothing Private Limited (hereinafter referred to as "the subsidiary"), collectively referred to as "the group, as at 31st March 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the group for the year ended on that date, annexed thereto, which we have signed under reference to this report. The Consolidated Financial Statements include investment in an associate M/s. Bhuta Investment Private Limited (hereinafter referred to as "the associate") accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the company's management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
4. As stated in note no. 2 of Schedule 23, information relating to the previous year has been provided only for the purpose of statutory requirement and the same cannot be used for any comparison purposes or otherwise.
5. As stated in note no. 3(a) of Schedule 23, the subsidiary changed the method of charging depreciation similar with the company.

Due to retrospective change in method of charging depreciation by subsidiary in line with the company, the consolidated profit for the year is higher by ₹ 128394/-.

6. As stated in note no. 3(b) of schedule 23, the basis of charging depreciation by the associate is not similar.

The possible impact, of not following the similar method, as followed by the group, of charging depreciation by the associate, on the company's share of profit/(loss) in the associate, considered in the consolidated Profit and Loss Account and carrying cost of investment in the associate, cannot be commented upon.

7. As stated in note 4 of Schedule 23:

- (i) Loans & Advances, involving an amount of ₹ 279.88 lacs, (year end outstanding ₹ 100.79 lacs) given by the company during the year under review, are in contravention of provisions of Section 295 of the Act;
- (ii) Contracts of purchase and sale of shares, amounting to ₹ 787.52 lacs and ₹ 1021.21 lacs respectively entered in to by the company during the year, are in contravention of provisions of section 297 of the Act;
- (iii) the subsidiary company has, during the year, given loan to its holding company and relative of a director, having no impact on the profit for the year, involving maximum amount of ₹ 470 lacs (since repaid) in contravention of provisions of section 295 of the Act.

The possible impact of these non-compliances, in the event of condonation requests are not granted, has not been determined or recognized in the consolidated financial statements.

Garnet International Limited

8. Further to our comments paragraph 4 above and *subject to our comments in paragraphs 5 and 6 above and the consequential effects thereof which are not quantifiable*, based on our audit and on consideration of the separate audit reports on individual financial statements and other financial information of the entities referred to in paragraph 1 above, and to the best of our information and according to the explanations given to us, in our opinion, the aforesaid Consolidated Financial Statements, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st March, 2011;
 - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place: Mumbai
Date: 16th August, 2011

Anuja Dedhia
Partner
Membership No. 123589

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(Amt in ₹)

PARTICULARS	Sch	As at	
		31.03.2011	31.03.2010
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	1	47250000.00	47250000.00
Reserves & Surplus	2	169152014.36	139000000.00
		216402014.36	186250000.00
MINORITY INTEREST		21954485.01	0.00
LOAN FUNDS:			
Secured Loans	3	70000000.00	0.00
Unsecured Loans	4	235000.00	0.00
Total		308591499.37	186250000.00
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	5	64139994.09	8307348.05
Less : Depreciation		6140962.63	4859060.92
Net Block		5799031.46	3448287.13
INVESTMENTS	6	72387111.28	42583796.64
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	7	73241488.67	55081347.14
Cash & Bank Balances	8	24472219.48	22913988.50
Sundry Debtors	9	6025716.46	39618.74
Loans & Advances	10	101882895.63	62582568.91
		205622320.24	140617523.29
LESS :CURRENT LIABILITIES & PROVISIONS :			
Current Liabilities	11	3505332.17	239353.47
Provisions	12	24529393.44	16754675.44
		28034725.61	16994028.91
NET CURRENT ASSETS		177587594.63	123623494.38
DEFFERED TAX ASSETS	13	617762.00	461248.00
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	14	0.00	34625.58
PROFIT AND LOSS ACCOUNT	15	0.00	16098548.27
Total		308591499.37	186250000.00
SIGNIFICANT ACCOUNTING POLICIES	22		
NOTES FORMING PART OF ACCOUNTS	23		

Schedules referred to above are integral part of financial statements

As per our attached report of even date
For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Anuja Dedhia
Partner
Membership No. 123589

Place : Mumbai
Date : 16th August, 2011

For and on behalf of the Board

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Date : 16th August, 2011

Garnet International Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Amt in ₹)

PARTICULARS	Sch	For the year ended 31.03.2011	For the year ended 31.03.2010
INCOME:			
Sales & other income	16	412754881.73	185973480.63
Increase/(decrease) in finished stock	17	14540297.61	55081347.14
Other income		0.00	0.00
		427295179.34	241054827.77
EXPENDITURE :			
Works Contract Payments		0.00	0.00
Cost of good traded in		361897548.91	179496000.61
Loss (Profit) on F&O transactions		1972272.68	10621213.80
STT & share trading expenses		6820301.76	900106.39
Cost of raw material consumed	18	639705.83	0.00
Manufacturing expenses	19	415811.86	0.00
Personnel Expenses	20	860670.00	229707.00
Administrative & Other Expenses	21	2227552.24	2089434.03
Interest		1531398.00	0.00
Depreciation	5	791025.71	194721.96
Miscellaneous Expenditure Written Off	14	34625.58	36953.08
		377190912.57	193568136.87
PROFIT/ (LOSS) BEFORE TAX		50104266.77	47486690.90
PROVISION FOR TAXATION			
Current Tax		10107400.00	8783100.00
MAT credit entitlement		(7257036.00)	(2136231.00)
Deferred Tax Liability (Assets)		(156514.00)	(461248.00)
		2693850.00	6185621.00
PROFIT/ (LOSS) AFTER TAX		47410416.77	41301069.90
Add/(Less) : Tax Adjustments for earlier years		539363.26	763450.00
Add : MAT credit entitlement for earlier years		0.00	2659573.00
PROFIT/(LOSS) BEFORE SHARE OF PROFIT/(LOSS) OF ASSOCIATES AND MINORITY INTEREST		47949780.03	44724092.90
Add/(less) Share of profit/(Loss) of Associates for the year		(137325.73)	0.00
		47812454.31	44724092.90
Add/(Less) Share of Profit/(Loss) of Associates for earlier years		(514859.01)	0.00
		47297595.29	44724092.90
Less:- Minority Interest (Share of Profit / Losses)		485331.64	0.00
NET PROFIT AFTER TAX		46812263.65	44724092.90
Add: Balance brought forward from previous year		(16098548.27)	(55312877.73)
PROFIT AVAILABLE FOR APPROPRIATION		30713715.38	(10588784.83)
APPROPRIATIONS			
Proposed dividend		4725000.00	4725000.00
Tax on distributed profits		784764.00	784763.44
Balance carried over to balance sheet		25203951.38	(16098548.27)
BASIC AND DILUTED EARNING PER SHARE		9.91	9.47
SIGNIFICANT ACCOUNTING POLICIES	22		
NOTES FORMING PART OF ACCOUNTS	23		

Schedules referred to above are integral part of financial statements

As per our attached report of even date
For and on behalf of
R.S.AGRawal & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Anuja Dedhia
Partner
Membership No. 123589

Place : Mumbai
Date : 16th August, 2011

For and on behalf of the Board

Suresh Gaggur
Director

Ramakant Gaggur
Director

Place : Mumbai
Date : 16th August, 2011

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Garnet International Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Amt in ₹)

(A) CASH FLOW FROM OPERATING ACTIVITIES	2010-2011	2009 -2010
Net Profit before Tax and Extraordinary Items	50104266.77	47486690.90
Adjustment for		
Depreciation	791025.71	194721.96
Miscellaneous Expenditure written off	34625.58	36953.08
Loss / (Profit) on sale of Fixed Assets	0.00	0.00
Loss / (Profit) on sale of Investments	(40308478.43)	(56704513.87)
Investment Income		
- Interest	(659973.69)	(441169.45)
- Dividend	(1690071.50)	(647736.00)
Interest Expenses	1531398.00	0.00
Operating Profit before Working Capital changes	9802792.44	(10075053.38)
Adjustment for		
- Trade and other Receivables	(34431605.89)	(23543718.87)
- Inventories	(18148492.53)	(55081347.14)
- Trade Payables	3256701.94	(924435.43)
Cash generated from operations	(39520604.04)	(89624554.82)
Advance Tax & TDS	(19758762.29)	(68525.04)
Cash flow before Extraordinary Items	(59279366.33)	(89693079.86)
Extraordinary Items	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	(59279366.33)	(89693079.86)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investments (Net)	(50535932.03)	56167969.57
Purchase of Fixed Assets	(45562797.63)	(2309173.00)
Loan (given) / Refund	0.00	0.00
Sale of Fixed Assets	0.00	0.00
Interest / Other income	659973.69	441169.45
Profit / (Loss) on sale of Investments	40308478.43	56704513.87
Dividend received	1690071.50	647736.00
Proceeds from / Payment for Deposits	0.00	0.00
NET CASH USED IN INVESTING ACTIVITIES	(53440206.04)	111652215.89
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	1510000.00	626200.00
Premium on Share Capital	40690000.00	3005760.00
Share Application Money	(7500000.00)	0.00
Miscellaneous Expenditure	0.00	0.00
Proceeds from Long Term Borrowings	0.00	0.00
Repayment of Long Term Borrowings	0.00	0.00
Increase (decrease) in unsecured loans	13535000.00	0.00
Proceeds from Short Term Borrowings	70000000.00	(2760760.00)
Repayment of Short Term Borrowings	0.00	0.00
Changes in Working Capital Borrowings from Banks	0.00	0.00
Interest Paid	(1531398.00)	0.00
Dividend paid	(4725000.00)	0.00
NET CASH FROM FINANCING ACTIVITIES	111978602.00	871200.00
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(740970.37)	22830336.03
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	25213189.85	83652.47
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	24472219.48	22913988.50

Notes to cash flow statement:

1. All figures in brackets are outflow.
2. Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date

For and behalf of

R.S.AGRAWAL & ASSOCIATES

Chartered Accountants

(Registration no. 100156W)

Anuja Dedhia

Partner

Membership No. 123589

Place : Mumbai

Date : 16th August, 2011

For and on behalf of the Board

Suresh Gaggar

Director

Ramakant Gaggar

Director

Place : Mumbai

Date : 16th August, 2011

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

PARTICULARS	(Amt in ₹)	
	As at 31.03.2011	As at 31.03.2010
SCHEDULE '1' SHARE CAPITAL :		
AUTHORISED :		
75,00,000 (Previous Year 75,00,000)	75000000.00	75000000.00
Equity Shares of ₹ 10/- each	75000000.00	75000000.00
ISSUED, SUBSCRIBED & PAID UP :		
47,25,000 (Previous Year 47,25,000)	47250000.00	47250000.00
Total	47250000.00	47250000.00
SCHEDULE '2' RESERVES & SURPLUS :		
Capital Reserve on consolidation (created during the year)	4948062.98	0.00
Security Premium Account (balance as per last balance sheet)	139000000.00	139000000.00
Surplus in Profit and Loss Account	25203951.38	0.00
Total	169152014.36	139000000.00
SCHEDULE '3' SECURED LOANS :		
Inter-Corporate Deposits/Loans (Repayable within one year ₹ 700 lacs)	70000000.00	0.00
Total	70000000.00	0.00
<u>Notes on Nature of security:</u> The above Intercorporate loans are secured by pledge of 325000 Equity shares of ₹ 10/- each of ARSS Infrastructure Projects Ltd. (held by the company as Investments)		
SCHEDULE '4' UNSECURED LOANS :		
From Body Corporate	235000.00	0.00
Total	235000.00	0.00

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

PARTICULARS	(Amt. in ₹.)											
	GROSS BLOCK (at cost)					DEPRECIATION					NET BLOCK	
	As at 31.03.2010	Addition during the year	Sold / Transfer during the year	As at 31.03.2011	Total up to 31.03.2010	Provided for the year	Written back during the year	Total up to 31.03.2011	Total as at 31.03.2011	Total as at 31.03.2010		
LAND	4178090.00	3260600.00	0.00	7438690.00	0.00	0.00	0.00	0.00	7438690.00	4178090.00		
OFFICE PREMISES	1042601.00	0.00	0.00	1042601.00	275861.00	16994.40	189472.82	103382.58	939218.42	766740.00		
OFFICE EQUIPMENTS	1210810.05	0.00	0.00	1210810.05	532913.28	57513.49	0.00	590426.77	620383.28	677896.77		
FACTORY BUILDING	1504997.76	6156444.40	0.00	7661442.16	75250.00	83494.91	24983.07	133761.84	7527680.32	1429747.76		
PLANT AND MACHINERY	0.00	31447433.00	0.00	31447433.00	0.00	271323.61	0.00	271323.61	31176109.39	0.00		
AIR CONDITIONERS	63500.00	424852.00	0.00	488352.00	35326.00	35852.36	4137.97	67040.39	421311.61	28174.00		
FURNITURE AND FIXTURES	91165.00	364695.30	0.00	455860.30	37332.00	7694.51	9920.96	35105.55	420754.76	53833.00		
DUMMIES AND HANGER	0.00	18366.00	0.00	18366.00	0.00	474.76	0.00	474.76	17891.24	0.00		
CCTV CAMERA AND EPBAX	0.00	112567.00	0.00	112567.00	0.00	5371.08	0.00	5371.08	107195.92	0.00		
AQUA CLEANER	7840.00	30687.00	0.00	38527.00	4644.00	2132.75	793.38	5983.37	32543.63	3196.00		
COMPUTERS AND COMPUTER SOFTWARES	4087887.00	136372.93	0.00	4224259.93	4024847.41	34339.81	26405.15	4032782.07	191477.86	63039.59		
EQUIPMENTS	192500.00	0.00	0.00	192500.00	134963.42	13609.76	0.00	148573.18	43926.82	57536.58		
VEHICLES	2817373.00	3610780.00	0.00	6428153.00	228799.81	517937.63	0.00	746737.45	5681415.55	2588573.19		
GOODWILL	0.00	3380432.65	0.00	3380432.65	0.00	0.00	0.00	0.00	3380432.65	0.00		
TOTAL	15196763.81	48943230.28	0.00	64139994.09	5349936.92	1046739.08	255713.37	6140962.65	57999031.46	9846826.89		
PREVIOUS YEARS TOTAL	7241449.05	7955314.76		15196763.81	5002819.96	34716.96		5349936.92				

Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Amt in ₹)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE '6' INVESTMENTS :		
Investment in Government Securities:		
Quoted	0.00	0.00
Unquoted	25031.00	24877.00
	25031.00	24877.00
Shares (Non-trade and fully paid-up)		
i. Quoted - Equity Shares	14714914.67	30254136.64
	14714914.67	30254136.64
ii. Unquoted - Equity Shares	49375000.00	0.00
	49375000.00	0.00
Investment in Associate :		
Equity share (see note no. '14' OF schedule 23)	7967382.61	8619567.35
	7967382.61	8619567.35
In commodities:		
16.445 Kg. (16.445 kg) Silver Bar	304783.00	304783.00
	304783.00	304783.00
Total	72387111.28	39203363.99
Aggregate Cost of Quoted Investments	14714914.67	30254136.64
Aggregate Market Value of Quoted Investments	175653189.15	391441606.20
Aggregate Cost of Unquoted Investments	78075000.00	12000000.00
SCHEDULE '7' INVENTORIES :		
Shares and Securities	69439972.75	55081347.14
Yarn	2825813.86	0.00
Garments	190805.22	0.00
Consumables	232380.54	0.00
Dyes and Chemical	552516.31	0.00
	73241488.67	55081347.14
SCHEDULE '8' CASH AND BANK BALANCES :		
Cash on hand	1508362.45	308847.00
Bank Balances with Scheduled Banks		
In Current Accounts	19132238.26	2659909.61
In Fixed Deposit Accounts	3751553.00	19887428.00
Interest accrued on Fixed Deposits	80065.77	57803.89
	24472219.48	22913988.50
SCHEDULE '9' SUNDRY DEBTORS :		
(Unsecured, Considered good)		
Outstanding for more than six months	0.00	0.00
Others	6025716.46	39618.74
	6025716.46	39618.74
Total		

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Amt in ₹)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE '10' LOANS & ADVANCES :		
(Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received.	2624193.17	40681.00
Loans and Advances to companies and others	34478521.13	33014771.13
Advances for Investments	2575000.00	22780000.00
Advance to Suppliers for Capital Goods	87940.00	0.00
Advance to Suppliers	671056.00	0.00
Deposits	30374250.00	30000.00
Income tax & Tax deducted at source	31071935.33	6717116.78
Due from Government authorities	0.00	0.00
Total	101882895.63	62582568.91
SCHEDULE '11' CURRENT LIABILITIES :		
Sundry creditors:		
a) Dues of Micro enterprise and small enterprise	0.00	0.00
b) Dues of creditors other than Micro enterprise and Small enterprise	1624330.33	198255.15
Creditors for Capital Goods	1204260.11	0.00
Advances from customers	100000.00	0.00
Other Liabilities	494740.73	41098.32
Deposits	0.00	0.00
Unpaid Dividend	82001.00	0.00
Total	3505332.17	239353.47
SCHEDULE '12' PROVISIONS :		
Provision for tax	18970146.44	11200200.00
Provision for Proposed Dividend	4725000.00	4725000.00
Provision for tax on distributed profit	784764.00	784763.44
Provision for Gratuity	49483.00	44712.00
Total	24529393.44	16754675.44
SCHEDULE '13' DEFERRED TAX ASSET/(LIABILITIES):		
Arising on account of timing difference:		
Deferred tax assets:		
Business losses	39682.00	711368.00
Deferred tax liability:		
Depreciation	578080.00	-250120.00
Total	617762.00	461248.00
SCHEDULE '14' MISCELLANEOUS EXPENDITURE :		
(to the extent not written off or adjusted)		
Miscellaneous Expenditure	34625.58	71578.66
Less : Written off during the year	34625.58	36953.08
Total	0.00	34625.58
SCHEDULE '15' PROFIT & LOSS ACCOUNT :		
Debit Balance in Profit and Loss Account	0.00	16098548.27
Total	0.00	16098548.27

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Amt in ₹)

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
SCHEDULE '16' SALES & OTHER INCOME :		
Sales of shares and securities	368770349.67	128180061.31
Sales of garments	525712.52	0.00
Profit (Loss) on sale of shares (intra-day)	-6432036.77	1445481.24
Profit (Loss) on sale of Investments	46740515.20	55259032.63
Labour Income	800295.92	0.00
Dividend	1690071.50	647736.00
Interest	659973.69	441169.45
Profit (Loss) on Share Trading	0.00	0.00
Total	412754881.73	185973480.63
SCHEDULE '17' : INCREASE/(DECREASE) IN STOCK :		
Closing Stock		
Shares	69439972.75	55081347.14
Garments	181672.00	0.00
	69621644.75	55081347.14
Less: Opening Stock		
Shares	55081347.14	0.00
Garments	0.00	0.00
	55081347.14	0.00
Total	14540297.61	55081347.14
SCHEDULE '18' : COST OF INVENTORIES CONSUMED :		
Opening Stock:		
Yam	11649.00	0.00
Dyes and Chemicals	0.00	0.00
	11649.00	0.00
Purchases:		
Yam	3052817.22	0.00
Dyes and Chemicals	953569.78	0.00
	4006387.00	0.00
Closing Stock:		
Yam	2825813.86	0.00
Dyes and Chemicals	552516.31	0.00
	3378330.17	0.00
Total	639705.83	0.00
SCHEDULE '19' : MANUFACTURING EXPENSES :		
Cost of Consumables	66300.79	0.00
Transportation	106646.26	0.00
Power and Fuel	226049.81	0.00
Packing Expenses	16815.00	0.00
Total	415811.86	0.00

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Garnet International Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Amt in ₹)

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
SCHEDULE '20' : PERSONNEL EXPENSES :		
Salaries and other allowances	747492.00	198724.00
Contribution to provident fund & other funds	42459.00	12456.00
Workmen and staff welfare	70719.00	18527.00
Total	860670.00	229707.00
SCHEDULE '21' ADMINISTRATIVE & OTHER EXP.:		
Advertisement & Publicity	105866.00	102193.00
Auditors Remuneration	330902.00	190269.00
Bank Charges and Commission	25.00	22.06
Brokerage and Commission	247494.00	0.00
Travelling and Conveyance	65529.00	26465.00
Miscellaneous Expenses	466710.81	79259.93
Communication Expenses	158384.59	58557.04
Printing & Stationery	254513.00	51901.00
Repairs & Maintenance	13848.00	1640.00
Legal & Professional Charges	131593.84	41575.00
Insurance expenses	47738.00	2552.00
Donation	401700.00	1535000.00
Business Promotion Expenses	0.00	0.00
Electricity	1348.00	0.00
Selling and Marketing Expenses	1900.00	0.00
Total	2227552.24	2089434.03

SCHEDULE '22': SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

- (a) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the provisions of the Companies Act 1956 following the mercantile system of accounting and recognising income and expenditure on accrual basis.
- (b) The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

2. FIXED ASSETS

Fixed assets are stated at cost of acquisition or construction inclusive of freight, duties and taxes and incidental expenses, less accumulated depreciation (except land) and amortisation.

3. CAPITAL WORK IN PROGRESS

The cost incurred for fixed assets, the construction of which is not completed, are included under "capital work-in-progress" and the same are classified and added to the respective assets on the completion.

4. INVESTMENTS

- (a) Long term Investments are being valued at cost of acquisition. Provision is made to recognize a decline, other than temporary, in the carrying amount of long term investments.
- (b) Short term investments are being valued at cost or market value whichever is lower.

5. VALUATION OF STOCK OF SHARES AND SECURITIES AND INVENTORIES

- a) Shares and securities held as "stock-in-trade" are valued at cost or net realizable value whichever is lower and on FIFO basis.
- b) Valuation of inventories is exclusive of taxes or duties incurred and on FIFO basis except otherwise stated.
- c) Raw materials and Work in progress are being valued at cost or net realisable value whichever is lower.
- d) Stores, spares and tools are being valued at weighted average cost.
- e) Goods in transit, if any, are stated at actual cost up to the date of the Balance Sheet.
- f) Finished stocks are being valued at direct cost or net realisable values whichever is lower.

6. DEPRECIATION

- (a) No depreciation is provided for leasehold land and freehold land.
- (b) Depreciation on fixed assets is being provided on "Straight line method basis" at the rates specified in Scheduled XIV to the Act.
- (c) Depreciation in respect of addition to fixed assets is provided on pro-rata basis from the month in which such assets are acquired/ installed/started commercial production.

- (d) Depreciation on fixed assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, discarded or demolished.

7. REVENUE RECOGNITION

- a) Incomes from investments, where appropriate, are taken into revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.
- b) Sale of Goods is recognized on transfer of significant risks and rewards of ownership which is on the dispatch of goods.
- c) Sales are stated net of discount, claims, and shortage. Commission, brokerage and incentives on sales, wherever applicable, have been separately recognized as an expense.
- d) Incomes from job charges are recognized as and when the services are rendered.
- e) Interest income is accounted on accrual basis.

8. PRIOR PERIOD EXPENSES/INCOME

The group follows the practice of making adjustments through "prior period items" in respect of all material transaction pertaining to the period prior to current accounting period/year.

9. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure, such as preliminary expenditure and share issue expenditure is amortized over a period of 10/5 years, as the case may be, from the financial year in which it is incurred.

10. EMPLOYEE BENEFITS

- a) Employees' benefit under defined contribution plan such as contribution to provident fund and employees' benefits under defined benefit plan for leave encashment are charged off at the undiscounted amount in the year in which the related service provided.
- b) Post employment benefits under defined benefit plan such as gratuity are charged off in the year in which the employee has rendered services at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and/or losses in respect of post employment benefits are charged to profit and loss account or capitalised in case of new projects are taken up by the company.

11. BORROWING COSTS

The group capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset or a new unit, the group uses the interest rates applicable to that specific borrowing as the capitalization rate. Capitalization of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to Profit and Loss Account.

12. TREATMENT OF CONTINGENT LIABILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of Income Tax, Sales Tax, excise, customs and other proceeding etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advances till the final disposal of the matter.

13. SEGMENT REPORTING

The accounting policies adopted for segment reporting are in line with the accounting policies of the group. Segments have been identified in line with the Accounting Standard - 17, taking into account the organisational structure as well as the differing risks and returns. The business segment is disclosed as primary segment.

14. CONTINGENT LAIBILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of central excise, customs, income tax and other proceeding etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advance till the final disposal of the matters.

15. EXCISE DUTY

- a) CENVAT credit available as per the provisions of the Excise Rules on raw material, packing material, etc purchased, is accounted for by reducing the cost of the respective items.
- b) Excise duty payable on finished goods lying at the factory premises at the close of the year is provided in the books as per the Excise Rules.
- c) CENVAT credit available as per the provisions of the Excise Rules on capital goods is accounted for by reducing the cost of capital goods.

16. TRANSACTION IN FOREIGN CURRENCIES :

a) Initial Reorganisation:

Transactions denominated in foreign currencies are recorded by applying the exchange rates prevailing at the date of the transactions.

b) Conversion:

Monetary items denominated in foreign currencies remaining unsettled at the end of the year, are restated using the closing rates.

c) Exchange Difference:

The exchange difference arising on the settlement of monetary items or on reporting unsettled monetary items at the rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or as expenses in the year in which they arise.

In case the monetary items are covered by the forward exchange contracts, the difference between the yearend exchange rate and the exchange rate at the date of the inception of the forward exchange contract is recognised as exchange difference.

d) Forward Exchange Contracts:

In case of transactions covered by forward exchange contracts, which are not intended for trading or speculation purposes, the premium/discount represented by difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract is amortised as expense or income over the life of the contract.

Exchange differences on such contracts are recognised in the statement of profit and loss account in the year in which the exchange rate changes.

Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year. In case of transactions covered by forward exchange contracts, which are intended for trading or speculation purposes, the premium/discount is ignored and at each balance sheet date, the value of the contract is marked to its market value and gain/loss on the contract is recognised.

e) Non-monetary foreign currency items such as investments are carried at cost.

17. TAXES ON INCOME:

Income tax expense comprises of Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the assessable income at the rate applicable for the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets, arising mainly on account of unabsorbed depreciation and losses under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized, only to the extent there is a reasonable certainty of its realization.

At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassess realization.

18. IMPAIRMENT LOSS

Impairment loss is provided to the extent the carrying amount(s) of assets exceed their recoverable amount(s). Recoverable amount is the higher of an assets net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm length transaction between knowledgeable, willing parties, less the cost of disposal.

SCHEDULE '23': NOTES FORMING PART OF THE ACCOUNTS

1. The Consolidated Financial Statements relate to Garnet International Limited and its subsidiary Sukartik Clothing Private Limited. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified under the Companies (Accounting Standards) Rules, 2006. The Consolidated financial Statements have been prepared on the following basis:

A. Investment in Subsidiary:

- (a) The Financial Statements of the Company and its subsidiary company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealized profits or losses have been fully eliminated.

- (b) The difference between the costs of investment in the subsidiary and the Company's share of equity at the time of acquisition of shares in the subsidiary is recognized in the financial statements as Goodwill or Capital Reserve.
 - (c) There is, during the year, no disposal of investment in the subsidiary.
 - (d) Minority interest in the net assets of consolidated subsidiary consists of:
 - (i) the amount of equity attributable to minorities at the date on which investment on subsidiary is made; and
 - (ii) the minorities' share of movements in equity since the date the parent subsidiary relationship comes into existence.
 - (e) The subsidiary, (mentioned below) along with Garnet International Limited, the parent, constitutes the group, considered in the presentation of these Consolidated Financial Statements.
 - (f) The details of subsidiary:
Sukartik Clothing Private Limited ("the subsidiary")
Country of incorporation: India
Proportion of ownership interest as at 31st March 2011 is 50.21% (P.Y. Nil).
Financial statement is drawn up to 31st March 2011
- B. Investment in Associate:**
- Bhuta Investment Private Limited ("the associate")
Country of incorporation India
Percentage of ownership interest as at 31st March 2011 is 32.43% (PY 32.43%)
Financial statement is drawn up to 31st March 2011.
- 2. Since subsidiary company came into effect during the current year 2010-2011, the consolidated figures for the year ended 31/03/2010 are standalone and hence not comparable with consolidated figures for the year ended 31/03/2011.
 - 3. Depreciation:
 - (a) During the year, the method of charging depreciation in the books of accounts of the subsidiary has, retrospectively, been changed from Written Down Value Method to Straight Line Method.
Consequently a sum of ₹ 2,55,713.37 representing the accumulated higher depreciation charged till 31st March 2010, has been written back to profit and loss account. Had the subsidiary followed the same method, the depreciation for the current year would have also been higher by ₹ 404620.01/-
 - (b) The basis of charging depreciation (Written Down Value Method) by the associate is not similar with the basis of charging depreciation (Straight Line Method) by the group.
 - 4. The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:
 - (i) Loans & Advances, involving an amount of ₹ 279.88 lacs, (year end outstanding ₹ 100.79 lacs) given by the company during the year, are in contravention of provisions of Section 295 of the Act;

- (ii) Contracts of purchase and sale of shares and securities, amounting to ₹ 787.52 lacs and ₹1021.21 lacs respectively entered into by the company at arm length prices in during the year, are in contravention of provisions of section 297 of the Act;
- (iii) the subsidiary company has, during the year, given loan to its holding company and relative of a director, involving maximum amount of ₹ 470 lacs (since repaid) in contravention of provisions of section 295 of the Act.

5. Auditors' Remuneration (Including auditors of subsidiary):

Particulars	Current Year (₹)	Previous Year (₹)
Audit Fees	2,09,570.00	1,32,360.00
Tax Audit Fees	33,090.00	33,090.00
Income tax matters	66,180.00	5,515.00
Certifications	22,062.00	19,303.00
Total	3,08,842.00	1,90,268.00

6. No managerial remuneration has been paid to any of the director of the group, hence, no computation of managerial remuneration u/s. 349 of the Companies Act. 1956 is given.
7. Estimated amount of contracts, net of advances, remaining to be executed on capital account ₹ Nil (₹ Nil).
8. Contingent liabilities not provided for liability, if any, arising on account of undertakings given by the subsidiary under EPCG Scheme, pending fulfillment of export obligation approximately ₹ 11.44 lacs (₹ Nil);
9. During the year the Company has taken office premises on leave and license basis. The same is not non-cancellable and for a period of 11 months and renewable at the mutual consent at mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with agreed terms. No rentals are payable on such lease.
10. 75000 equity shares of Suryajyoti Spinning Mills Limited, held as investments in the company, were given as security to VSB Investment Private Limited, towards margin for trading in shares and securities.
11. As per the information available with the group in response to the enquiries from all existing suppliers with whom Company deals, none of the suppliers are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March 2011.

12. During the year, the subsidiary has setup a seamless garment manufacturing unit at Ludhiana, commercial production of which has commenced from 18th March 2011. The expenditure incurred on start-up and commissioning of the unit has been capitalized to the extent mentioned below:

	Amount capitalised during the year
Salary , wages and other benefits to employees	7,71,716
Bank charges	20,581
Travelling and conveyance	1,34,913
Financial Charges	88,421
Legal and professional charges	88,722
Administrative and other expenses	1,45,440
Manufacturing expenses during trial run period	24,07,975
Total	36,57,768
Less:	
Sale of goods of trial run period	(7,60,216)
Total	28,97,552

13. Employees Benefit :

- a) The company has provided gratuity payable to its employees at full value without ascertaining the present value of future payment of gratuity as the Payment of Gratuity Act, 1972 is, in view of number of employees, not applicable to the company. The company has recognised as an expense, the short term benefits to its employees such as bonus, leave encashment etc.
- b) No provision for employees' benefits was required to be made for the year under review, as the commercial production of seamless garment unit located at Ludhiana was commenced from 18th March 2011.

14. Related Party Disclosure:

Related party disclosures as required by Accounting Standard (AS) -18 "Related Party Disclosures", notified by Companies (Accounting Standards) Rules, 2006(as amended) are given below:

(a) **Relationships:**

1. **Associate Company:**

Bhuta Investment Private Limited

Garnet International Limited

(b) The following transactions were carried out with the related parties in the ordinary course of business:

(₹ in Lacs)

Sr.no	Nature of Transaction	Associate Company	Total
(1)	FINANCE/OTHERS		
A	Loans /Advances given		
	Bhuta Investment Pvt.Ltd	941.00 (6.55)	941.00 (6.55)
B	Loans /Advances taken		
	Bhuta Investment Pvt.Ltd	4.75 (-)	4.75 (-)
C	Security Deposit Given		
	Bhuta Investment Pvt.Ltd	300.00 (-)	300.00 (-)
(2)	OUTSTANDINGS AS AT THE BALANCE SHEET DATE		
a	Security Deposit Given		
	Bhuta Investment Pvt.Ltd	300.00 (-)	300.00 (-)

Related party relationship is identified by the Company and relied upon by the auditors.
(Figures in brackets relate to the previous year)

15. Earnings per Share :

	Unit	2010-2011	2009-2010
Profit/(Loss) for the year	₹	46866352.88	44724092.90
Weighted Equity Shares	Nos.	47,25,000	47,25,000.00
Basic and Diluted EPS	₹	9.91	9.47
Nominal Value of Shares	₹	10	10

16. Investment in Associate :

Particulars	No. of Equity Shares held	% of holding	Cost of Investments (Equity Shares)	Goodwill/ (Capital Reserve)	Share in accumulated Profit/(Loss)/ Reserves	Carrying Cost
<u>Unquoted:</u> Bhuta Investment Private Limited	60000	32.43%	8619567	3380433	(652184.74)	7967383

Garnet International Limited

17 Segment Information :

Segment reporting for the year ended 31st March 2011

Primary Segment disclosure - Business Segment

Particulars	Shares and Securities		Textile		Consolidated Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
(i) Segment Revenue						
Operating income	408796626.92	174911097.38	0.00	0.00	408796626.92	174911097.38
Less: Inter-segment revenue	0.00	0.00	0.00	0.00	0.00	0.00
Net revenue from operations	408796626.92	174911097.38	0.00	0.00	408796626.92	174911097.38
(ii) Result						
Segment Results	51325664.99	47045521.45	-349973.91	0.00	50975691.08	47045521.45
Less: Unallocated corporate expenses					0.00	0.00
Operating Profit					50975691.08	47045521.45
Less: Interest expense (Net)					871424.31	-441169.45
Profit before Tax					50104266.77	47486690.90
Provision for Taxation (Net)						
Current Tax					10107400.00	8783100.00
MAT Credit Entitlement					-7257036.00	-2136231.00
Deferred Tax					-156514.00	-461248.00
Adjustment for earlier years					-539363.26	-3423023.00
					2154486.74	2762598.00
Profit for the year before Minority Interests					47949780.03	44724092.90
(iii) Other Information						
Segment Assets	276751060.50	186649607.10	59909587.27	0.00	336660647.70	186649607.10
Unallocated Common Assets					0.00	0.00
Total Assets					336660647.70	186649607.10
Segment Liabilities	95334300.41	16532780.91	2317663.20	0.00	97651963.61	16532780.91
Unallocated Common Liabilities					0.00	0.00
Total Liabilities					97651963.61	16532780.91
Capital Expenditure	5368327.00	2309173.00	40194470.63	0.00	45562797.63	2309173
Depreciation and Amortisation	479048.64	194721.96	311977.08	0.00	791025.71	194721.96
Non-cash expenses other than depreciation	34625.58	36953.08	0.00	0.00	34625.58	36953.08

Secondary Segment Disclosure - Geographical Segment

	2010-2011	Domestic 2009-2010	Overseas		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Revenue from Customers	408796626.92	174911097.38	0.00	0.00	408796626.92	174911097.38

Notes:

1 Business Segment :

The group has considered business segments as the primary segment for disclosure.

The segments have been identified taking into account the organisational structure as well as the differing risks and returns of these segments.

Shares and Securities Segment comprises of income from share trading, intra-day transaction, investments and dividend.

Textile Segment comprises of sales of garments and dyeing done on job work basis.

2 Secondary Segment :

The geographical segments are considered for disclosure as secondary segment

Domestic segment includes sales to customers located in India and income accrued in India

Overseas segment includes sales to customers located outside India and income derived from outside India

3 Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

18. Figures for the previous year have been regrouped, rearranged and recasted wherever necessary to make them comparable with the figures of the current year. In the financial statements, any discrepancies in any total and the sum of the amounts listed are due to rounding off.

Details of Subsidiary Company U/S 212(8)

Name of the Subsidiary	Capital (a)	Reserves and Surplus (b)	Total Assets (c)	Total Liabilities (d)	Details of Investments (e)	Turnover (f)	Profit before taxation (g)	Provision for Taxation (h)	Profit after Taxation (i)	Proposed dividend (j)
Sukartik Clothing Limited	2410000.00	41681924.07	57826924.10	57826924.10	0	1326008.44	77515.72	-906143	974707.72	0

Note :

Pursuant to circular number 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Accounts and other documents of the subsidiary companies are not required to be attached with the Balance Sheet of the company. Any member desirous of the same may write to the Company.

**GARNET INTERNATIONAL LIMITED
PROXY FORM**

Registered Office: 901, Raheja Chambers, Nariman Point, Mumbai 400 021

I / We _____
of _____
being a Shareholder/Shareholders of **GARNET INTERNATIONAL LIMITED** hereby
appoint _____ of
_____ of failing him/her _____
of _____
as my/our Proxy to attend and vote for me/us and on my/our behalf at the 29th Annual General
Meeting of the Company to be held on _____ day the _____ day of _____, 2011 at _____
a.m./p.m. and at any adjournment thereof.
Signed on this _____ day of _____ 2011
Signature of Shareholder _____

Affix
Rs. 1.00
Revenue
Stamp

Note:
The Proxy form duly completed and signed must be deposited at the Registered Office of the
Company at _____ not less than 48 hours
before the time for holding the Meeting.

Name _____ Address _____
_____ Regd. Folio. No. _____ No. of Shares held _____
Client I.D. No. _____ DP. ID. No. _____

**GARNET INTERNATIONAL LIMITED
ATTENDANCE SLIP**

Registered Office: : 901, Raheja Chambers, Nariman Point, Mumbai 400 021

I/We hereby record my/our presence at the Twenty Ninth Annual General Meeting of the Company at
_____ on _____ day, the _____ day of
_____, 2011 at _____ a.m/p.m.
Name _____ Address _____
_____ Regd.Folio. No. _____ No. of Shares held _____
Client ID. No. _____ DP. ID. No. _____
Name of Proxy/Representative, if any _____
Signature of the Shareholder(s)/Proxy/Representative _____