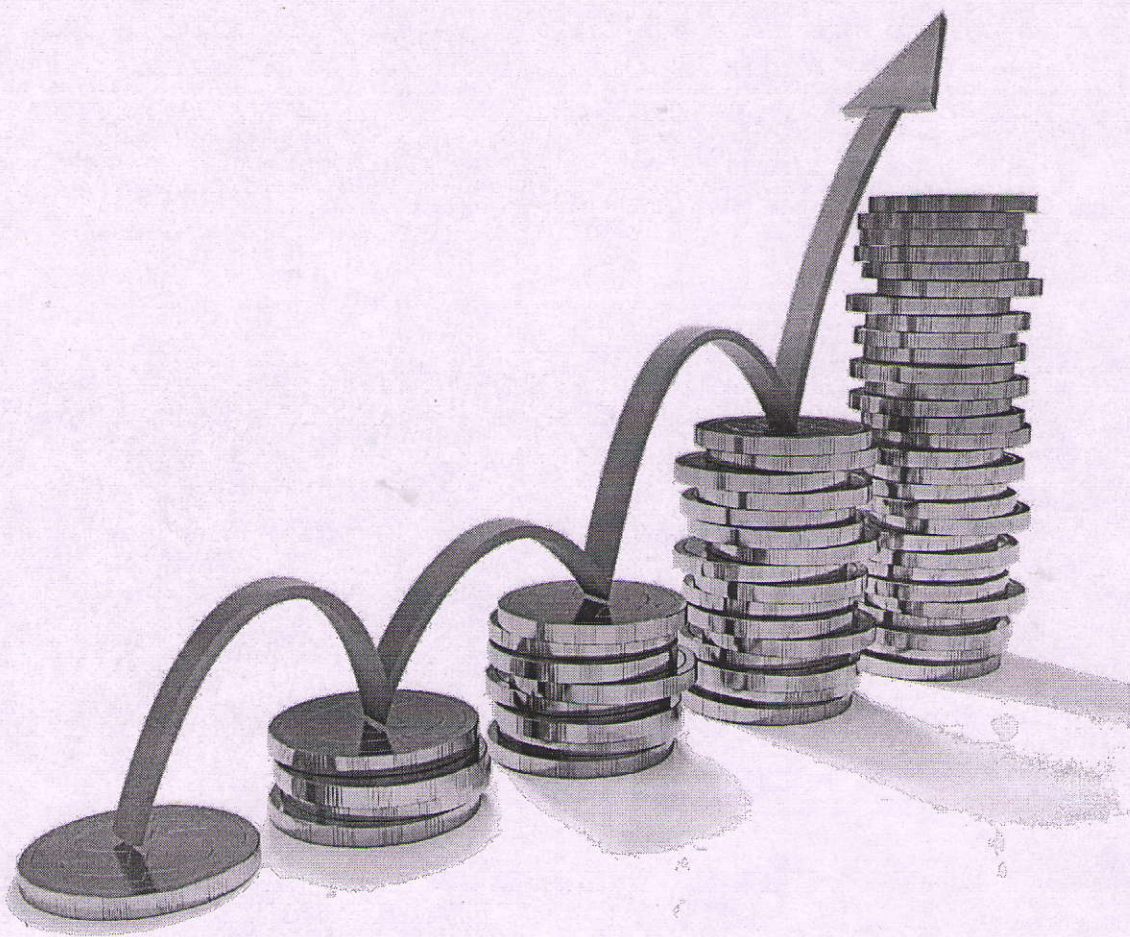


ANNUAL REPORT

2010-2011



GEMSTONE INVESTMENTS LIMITED

Registered Office :- B-602, Ramnik Smriti, B Wing, Behind Arya Arcade,
Vikhroli Station Road, Vikhroli (W), Mumbai-400 083.

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GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. Narendra Prabodhkumar Ganatra
Managing Director

Mr. Anant Haridas Palan
Whole time Director

Mr. Nimesh Prabodhkumar Ganatra
Executive Director
(designation changed from Non-Executive Independent Director to an Executive Director liable to retire by rotation in the Board meeting held on 3rd September, 2011)

Mr. Pravinchandra Hansraj Haria
Independent & Non-Executive Director

Mr. Mahesh Bhanushali
Additional Director (Independent & Non-Executive Director)

Ms. Shikha Kapasi
Additional Director (Independent & Non-Executive Director)

Mr. Hitesh Dave
Additional Director (Independent & Non-Executive Director)

AUDITORS

M/s. Shah Jadavji & Co
(Chartered Accountant)
3/302, Shiplyan Building
ShivajiPath, Thane: - 400 601

BANKERS

HDFC BANK, Mumbai

REGISTERED OFFICE

B/602, Ramnik Smriti, B Wing,
Behind Arya Arcade,
Vikhroli Station Road, Vikhroli (West),
Mumbai- 400 083.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS:

The financial results of the Company for the year under review are as follows :

	31.03.2011 Amount (in Rs.)	31.03.2010 Amount (in Rs.)
Gross Income	22771034.06	8788877.69
Total Expenditure	19814891.79	3113321.44
Profit/loss before tax	2956142.27	5675556.25
Provision for Tax	896908.00	1565800.00
Profit./loss after tax	2059234.27	4109756.25
Earnings per Share	0.028	0.55

OVERALL PERFORMANCE:

The total income of the Company during the year was **Rs. 22771034.06** against **Rs. 8788877.69** in the previous financial year. The increase in total income was mainly due to increase in dividends received on investments and interest income.

The Total Expenditure increased mainly due to increase in staff cost and other miscellaneous expenditure. With significant increase in cost, profit before and after tax was a shade lower in the year.

Whereas as compared to last year the Company has made profits in the Share Transactions under the Investment operations carried out by the Company.

Thus considering the above stated scenario, with the optimization of resources and further scaling up of operations, the Company is confident of posting better results in the future.

CHANGES IN CAPITAL STRUCTURE:

In the Annual General Meeting of the Company held on 30th July, 2010 for the FY 2009-2010, consent of the members was accorded to sub-divide the Equity Share Capital of the Company from Rs. 10/- per Share to Re. 1/- per Share.

The Record Date for such purpose was fixed as 16th August, 2010. Subsequent to which the Shares of the Company would bear a face value of Re. 1/- per Share.

BSE had vide their Notice Dated August 12, 2010 bearing no. 20100812-3 had intimated the Trading members the New ISIN no. allotted to the Company by the Depositories.

New ISIN No. INE503D01027

OUTLOOK:

The environment is challenging but your company is hopeful that with new markets being addressed it will manage to post better results. Your company will continue to invest in new products and new technologies to take full advantage of any upturn that may be in seen in the coming quarters.

DIVIDEND:

Due to requirement of funds for the current working of the Company, your Directors express their inability to recommend any dividend on Equity Share Capital for the year under review.

DIRECTORS' RESPONSIBILTY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that, to the best of their knowledge

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies consulted the statutory auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for the period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

DIRECTORS:

Mr. Lalit Gandhi, Whole-Time Director resigned from the Board of Directors on 27th August, 2010 and upon his resignation the Board of Directors unanimously resolved to change the designation of Mr. Anant Palan from Independent Director by appointing him as a Whole-Time Director for a period of five years w.e.f 30th August, 2010.

Pursuant to the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Nimesh Ganatra, retires by rotation but is eligible for reappointment. The Board commends his re-appointment as Director of the Company.

Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave were appointed as Additional Directors of the Company on 3rd September, 2011 and would hold office up to the date of the ensuing Annual General Meeting. It is proposed to appoint Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave as Directors of the Company.

In the same meeting, the Board also resolved to change the designation of Mr. Nimesh Ganatra, Independent Director of the Company to an Executive Director liable to retire by rotation.

The Board commends the appointment/re-appointment of these Directors as Directors of the Company.

AUDITORS:

Comments of the Auditors in their report and the notes forming part of the Accounts, are self explanatory and need no comments.

M/S Shah Jadavji & Co., the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956. The directors recommend the re-appointment of M/S Shah Jadavji & Co. and to fix their remuneration.

AUDIT COMMITTEE:

Adequate disclosures in respect of the composition of the Audit Committee, its composition and the Chairmanship have been made in the Corporate Governance Report which forms an essential part of this report.

CAPITAL EXPENDITURE:

At the end of this financial year 2010-2011, the net tangible assets stood at Rs. 17, 35, 000.

During the year under review, fixed assets were brought into the Company and appropriate depreciation is being charged at the end of the year.

SUBSIDIARY COMPANIES:

The Company does not have any subsidiary Company within the meaning of section 4 of the Companies Act, 1956. Thus the Company is not required to furnish a statement pursuant to the provisions of Section 212 of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS:

The Company does not have any subsidiary Company within the meaning of section 4 of the Companies Act, 1956. Thus the provisions in respect of submission of consolidated financial results are not applicable to the Company.

GENERAL:

Being an investment company, the provisions regarding conservation of energy and technology absorption are not applicable to the Company.

There were no foreign exchange earnings and outgo in the Company during the said Financial Year.

None of the Employees of the Company are falling in the limits covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE:

Your Company is committed to global best practices. A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms a part of the Annual Report.

A Certificate from the Auditors of the Company regarding Compliances with Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

The Company has in place a Code of Conduct for its Board members and senior management team, who have affirmed compliance thereto.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company has at a unified and centralized level, put in place a Corporate Social Responsibility (CSR) policy which is based on a belief that a Business cannot succeed in a society that fails and therefore it is imperative for business houses, to invest in the future by taking part in social-building activities.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from public in accordance with Section 58A of the Companies Act, 1956. (Check in financials)

INTERNAL CONTROL:

The Company has in place appropriate internal control systems, commensurate with its size and nature of operations.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report as required under Clause 49 (IV) (F) of the Listing Agreement is disclosed separately in this Report.

DISCLOSURE OF MATERIAL CHANGES SINCE THE DATE OF BALANCE SHEET:

The Board of Directors in their meeting held on 30th May, 2011, resolved to shift the Registered Office of the Company to a different location within the same vicinity. Such decision was taken by the Board considering administrative convenience and the benefit of its employees, thereby providing them with better facilities.

The new Registered Office of the Company w.e.f. 30th May, 2011 is **B/602, Ramnik Smriti, B Wing, Behind Arya Arcade, Vikhroli Station Road, Vikhroli (West) Mumbai- 400 083.**

Shareholders are requested to kindly take note of the same for any further communications. The Contact details are provided elsewhere in the Annual Report under the heading Shareholders Information.

ACKNOWLEDGEMENT:

Your Company outperformed the industry in a challenging year and continues to maintain its leadership position.

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from investors, customers, business associates, bankers, vendors, as well as regulatory and governmental authorities. Your Directors also thank the employees at all levels, who, through their dedication, co-operation, support and smart work, have enabled the Company to achieve rapid growth.

Place : Mumbai
Date : 3rd September, 2011

By order of the Board
Sd/-
(Chairman)

REPORT ON CORPORATE GOVERNANCE

The Company seeks to adopt good Corporate Governance Practices and to ensure compliance with all relevant laws and regulations. The Company conducts its activities in a manner that is fair and transparent.

The commitment of Gemstone Investments Limited ('the Company') to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreements. Transparency, fairness, disclosure and accountability are central to the working of the Company. It maintains the same tradition and commitment.

Given below are the company's corporate governance policies and practices for 2010-2011. As will be seen, the Company's corporate governance practices and disclosures have gone well in complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

BOARD OF DIRECTORS

In keeping with the commitment of the management for the principle of integrity and transparency in business operations for good corporate governance, the company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the board, and to separate the board functions of governance and management.

COMPOSITION

The Board has an Executive Chairman. According to Clause 49, if the Chairman of the Board is an Executive director, at least half of the Board should comprise of Independent Directors.

As on 31st March, 2011, the Board of the Company consisted of four directors, one of whom was a Managing Director (executive director), one Whole-Time Director (executive director), and two were non-executive Independent Directors.

The board has no institutional nominee directors. As Table 1 shows, the company is in compliance with the guidelines.

During the year under review, Mr. Lalit Gandhi, Whole-Time Director resigned from the Board of Directors on 27th August, 2010 and upon his resignation the Board of Directors unanimously resolved to change the designation of Mr. Anant Palan from Independent Director by appointing him as a Whole-Time Director for a period of five years w.e.f 30th August, 2010.

Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave were appointed as Additional Directors of the Company on 3rd September, 2011 and would hold office upto the date of the ensuing Annual General Meeting. It is proposed by your directors to appoint Mr. Mahesh Bhanushali, Ms. Shikha Kapasi and Mr. Hitesh Dave as Independent and Non-executive Directors of the Company as they would term beneficial for the

Company based on their expertise and would overlook the Company's affairs in a fair and transparent manner. Brief Profile of these directors is provided at the end of this report on Corporate Governance.

In the same meeting, the Board also resolved to change the designation of Mr. Nimesh Ganatra, Independent Director of the Company to an Executive Director liable to retire by rotation.

Thus, the Board Composition for the current financial year 2011-2012 would also be compliant with the guidelines of Corporate Governance.

BOARD PROCEDURES

During 2010-2011, the Board of Directors met **Nine times**: on May 15, 2010, June 29, 2010, July 3, 2010, July 12, 2010, July 31, 2010, August 12, 2010, September 2, 2010, November 10, 2010, February 15, 2011. The gap between any two meetings has been less than four months.

ATTENDANCE RECORD OF DIRECTORS

Table 1: Composition of the Board and attendance record of directors.

Name of Director	Category	Meetings attended	Whether attended last AGM
Narendra Ganatra	Managing Director, Executive	9	Yes
Anant Palan*	Whole-Time Director, Executive	9	Yes
Lalit Gandhi**	Whole-Time Director, Executive	6	Yes
Pravinchadra Hansraj Haria	Non-Executive Independent Director	9	Yes
Nimesh Ganatra***	Non-Executive Independent Director	9	Yes
Mahesh Bhanushali	Additional Director	-	-
Shikha Kapasi	Additional Director	-	-
Hitesh Dave	Additional Director	-	-

* **Change in Designation from Independent Director to Whole-Time Director w.e.f. 30th August, 2010**

** **Resigned with effect from 27th August, 2010.**

*** **Change of designation from non-Executive Independent Director to Executive Director Liable to retire by rotation w.e.f. 3rd September, 2011.**

(The table as placed above reflects to the year under review i.e. 2010-2011.Hence, such change in directorship will be reflected in the next Annual report.)

Information supplied to the Board

In advance of each meeting, the board is presented with relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level.

In addition to items which are required to be placed before the board for its noting and / or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement which includes:

- i. Progress in putting in place a progressive risk management system and risk management policy and strategy followed.
- ii. Conformity with the prescribed corporate governance standards.

Table 2: Other Directorship/Committee Positions as on 31st March, 2011

Name of Director	In Listed Companies	In Unlisted Public Limited Companies	Committee Positions	
			As Chairman	As Member
Narendra Ganatra	0	0	0	0
Anant Palan	0	0	0	0
Lalit Gandhi*	0	0	0	0
Pravinchadra Hansraj Haria	0	0	0	0
Nimesh Ganatra	0	0	0	0

* Resigned from Gemstone Investments Limited with effect from 27th August, 2010

Notes: Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders' grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the director was a member in more than 10 committees, nor a chairman in more than five committees across all companies in which he was a director.

Code of Conduct

Code of Conduct is applicable to all Executive Directors and employees of the Company, the Board has also adopted a Code of Conduct for Non-Executive and Independent Directors. All the Board members and senior management of the Company as on March 31, 2011 have affirmed compliance with their respective Codes of Conduct.

COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope. The Committees operate as empowered agents of the Board as per their Charter/terms

of reference. Targets set by them as agreed with the management are reviewed periodically and mid-course corrections are also carried out.

AUDIT COMMITTEE:

Constitution and Composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the company has set up its audit committee comprising of its directors. The company has been reviewing the working of the committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Companies Act, 1956, Clause 49 of the listing agreement.

The present audit committee consists of the following directors:

1. Mr. Pravinchandra Hansraj Haria, Chairman
2. Mr. Nimesh Ganatra
3. Mr. Narendra Gantra

During the year, the Board of Directors inducted Mr. Nimesh Ganatra as a member of this committee by passing a resolution in their meeting held on 2nd September, 2010, due to change in designation of Mr. Anant Palan from Independent Director to Whole-Time Director (Executive) for a period of five years w.e.f 30th August, 2010. Thus, in order to comply with the norms of having 2/3rd of the Committee members as Independent Directors, such induction was necessary.

All members of the audit committee are 'financially literate' as required by clause 49. Moreover, the audit committee has members who have 'accounting or related financial management expertise'.

The Audit Committee functions according to its Charter that defines its composition, authority, responsibility and reporting functions in accordance with the Companies Act, 1956, listing requirements applicable to the Company and is reviewed from time to time. Given below is a gist of the responsibilities of the Audit Committee:

- A. Reviewing the quarterly financial statements before submission to the Board, focusing primarily on:
 1. Compliance with accounting standards and changes in accounting policies and practices;
 2. Major accounting entries involving estimates based on exercise of judgment by Management;
 3. Audit Qualifications and significant adjustments arising out of audit;
 4. Compliance with listing and other legal requirements concerning financial statements;
 5. Review Reports on the Management Discussion and Analysis of financial

condition, results of Operations;

6. Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statements are correct, sufficient and credible;
 7. Disclosures made under the CEO and CFO certification and related party transactions to the Board and Shareholders.
- B. Reviewing with the management, external auditor and internal auditor, adequacy of internal control systems and recommending improvements to the management.
 - C. Discussing with the statutory auditor before the audit commences, the nature and scope of audit, as well as conduct post-audit discussions to ascertain any area of concern.
 - D. Reviewing the Company's financial and risk management policies.
 - E. Looking into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividend) and creditors, if any.
 - F. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

Meetings, attendance and topics discussed

The Audit Committee met five times during the period under review, meetings were held on May 7, 2010, June 25, 2010, August 05, 2010, November 3, 2010, and February 8, 2011. In addition to the members of the audit committee, these meetings were attended by the heads of finance and internal audit functions of the company and those executives who were considered necessary for providing inputs to the committee.

Table 3: Composition of the audit committee and attendance record of members for 2010-2011

Name of Director	Category	Meetings Attended
Pravinchandra Hansraj Haria	Chairman(Non-Executive Independent Director)	5
Mr. Anant Palan *	Non-Executive & Independent Director	3
Narendra Ganatra	Executive Director	5
Nimesh Ganatra	Non-Executive & Independent Director	2

* Designation changed to Whole-Time Director w.e.f. 30th August, 2010 hence, he was replaced by Mr. Nimesh Ganatra as a member of the Committee on 2nd September, 2010

Disclosures:

There are no materially significant related party transactions between the Company and its promoters, directors or management or their relatives, having any potential conflict with interests of the Company at large. Transactions with related parties are disclosed elsewhere in the Annual Report under point number 5 of the **SCHEDULE -12: Accounting Polices & Notes on Accounts**

Shareholders and Investor Grievance Committee:

The Shareholders and Investor Grievance Committee presently comprises of Mr. Pravinchandra Haria, Mr. Nimesh Ganatra and Mr. Narendra Ganatra. The committee was re-constituted in the meeting of Board of Directors held on 2nd September, 2010 by appointing Mr. Nimesh Ganatra in place of Mr. Anant Palan.

The Shareholders and Investor Grievance Committee of the Board is empowered to oversee the redressal of investors' complaints pertaining to share/debenture transfers, non-receipt of annual reports, interest/dividend payments, issue of duplicate certificates, transmission (with and without legal representation) of shares and debentures matters pertaining to Company's fixed deposit programme and other miscellaneous complaints.

The Committee met once by the end of the year in order to keep itself updated with respect to any Investor grievances raised against the Company and to discuss a plan of action for the recourse taken by the Committee to resolve such issues on time.

There were no pending share transfers and complaints pertaining to the Financial Year ended March 31, 2011.

Remuneration Committee:

The remuneration of the Managing Director and Whole-Time Director is recommended by the Remuneration Committee to the Board of Directors based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry, responsibilities shouldered, performance/track record. The Company pays remuneration by way of salary, perquisites and allowances (fixed component), incentive remuneration and/or commission (variable components) to its Directors. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members.

Remuneration Policy:

The success of the organization in achieving good performance and good governing practices depends on its ability to attract and retain individuals with requisite knowledge and excellence as Executive and Non-Executive Directors.

Disclosure of accounting treatment:

The Company follows the Accounting Standards as notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and in the preparation of the financial statements, the Company has not adopted treatment different from that prescribed in any of the Accounting Standards.

Secretarial Audit:

Pursuant to Clause 47 (c) of the Listing agreement with the Stock Exchanges, certificates on half yearly basis, have been issued by a Practicing Company Secretary for due compliance of share transfer formalities by the Company.

Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been issued by a Practicing Company Secretary for timely dematerialization of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

CEO/CFO certification:

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is contained in this annual report.

Auditors' certificate on corporate governance:

The company has obtained the certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the listing agreement.

GENERAL BODY MEETINGS

Financial Year	Date	Time	Location
2007-2008	29 th September, 2008	4.00 p.m.	S-15, Hazari Baug, Station Road, Vikhroli (west), Mumbai-400 083. (Registered Office during that period)
2008-2009	29 th September, 2009	9.30 a.m	S-15, Hazari Baug, Station Road, Vikhroli (west), Mumbai - 400 083. (Registered Office during that period)
2009-2010	30 th July, 2010	9.30 a.m.	A/310, Arya Arcade, Station Road, Vikhroli (west), Mumbai-400 083. (Registered Office during that period)
Location and time of Extra Ordinary General Meeting held in past 3 years			
2008-2009	22 nd May, 2008	10.30 a.m	S-15, Hazari Baug, Station Road, Vikhroli (west), Mumbai - 400 083. (Registered Office during that period)

Special Resolution passed :

The Company at its Extra Ordinary General Meeting held on May 22, 2008 appointed M/s. Shah Jadavji & Co., Chartered Accountants as statutory auditors of the Company to fill the casual vacancy created due to the resignation of M/s. Jagdish & Harish, Chartered Accountants, Statutory Auditors of the Company.

During last three Annual General Meetings of the Company, the Members had passed Special Resolutions relating to following businesses :

Meeting Dates	Resolution
29 th September, 2008	<ol style="list-style-type: none"> Resolved to increase the Authorised Share Capital of the Company from Rs. 3.10 crore to Rs. 10 crores. Resolved to appoint Mr. Narendra Ganatra as a Managing Director of the Company for a period of 5 yrs. w.e.f. 27th Aug, 2008 in place of Mr. Premchand Shah. Resolution passed under regulation 12 of SEBI (SAST) Regulation, 1997 to approve change in control over the management of the Company. Resolved to allot 48,25,000 warrants on Preferential basis to Promoter and non – promoters or prospective investors of the company or any of its nominees or affiliates.
29 th September, 2009	Resolved to create, offer, issue, allot, and deliver, on preferential basis upto 50,00,000 (Fifty Lakhs Only) Equity Shares to Promoter and non – promoters or prospective investors of the company or any of its nominees or affiliates.
30 th July, 2010	Resolved to Alter the Clause 4 of Articles of Association of the Company in order to reflect the sub-division of the Share Capital of the Company from Rs. 10/- per share to Re. 1/- per share.

Means of Communication:

The Quarterly, Half Yearly and Annual results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are generally published in Free Press Journal and Nav-Shakti (Marathi). The information regarding the performance of the Company is shared with the shareholders through the Annual Report.

Risk Management :

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures. The Board periodically discusses the significant business risks identified by the management and the mitigation process being taken up by them.

Compliance With Corporate Governance Norms:

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange. The Company has submitted the compliance reports in the prescribed format to the stock exchanges for the quarters ended 30th June 2010, 30th September 2010, 31st December 2010 and 31st March 2011 as stipulated in Clause 49 of the listing agreements entered into with the Stock Exchange.

Compliance of mandatory and non-mandatory requirements under **clause 49**

Mandatory:

The company has complied with all the mandatory requirements of clause 49 of the Listing Agreement.

Non-mandatory:

The company has also complied with the non-mandatory requirements as under:

Training of the Board Members

New Directors appointed by the Board are given formal induction and orientation with respect to the Company's vision, strategic direction and core values including ethics, corporate governance practices, financial matters and business operations.

Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

1. The Board

None of the independent directors of the company has tenures exceeding a period of 9 (nine) years on the board.

2. Remuneration Committee

The company has a remuneration committee. A detailed note on this committee is provided in the annual report.

3. Audit qualifications

There are no qualifications in the financial statements of the company for the year 2010-2011

4. Whistle Blower Policy

The company adopted its Whistle Blower Policy which enables its employees to report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of company's code of conduct or ethics policy. This mechanism provides safeguards against victimization of employees, who avail of the mechanism. The policy has been appropriately communicated to the employees within the organisation.

GENERAL SHAREHOLDERS INFORMATION

Annual General Meeting :

Date : 30th September, 2011
 Time : 9.00 a.m.
 Venue : Registered Office at B/602, Ramnik Smriti, B Wing, Behind Arya Arcade, Vikhroli Station Road, Vikhroli (West), Mumbai- 400 083.

Financial Calendar:

Audited Annual Accounts for the year ending 31st March : May
 Unaudited First Quarter Financial Results : August
 Unaudited Second Quarter Financial Results : November
 Unaudited Third Quarter Financial Results : February

Dates of Book Closure :

The Register of members and share transfer books of the company will remain closed from 19th September, 2011 to 21st September, 2011, both days inclusive.

Registrar and share transfer agent :

The Company has Sharex Dynamic India Private Limited as its Share Transfer Agent. All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants etc as well as requests for dematerialisation/rematerialisation are being processed at Sharex Dynamic India Private Limited. The work related to dematerialisation/rematerialisation is handled by Sharex Dynamic India Private Limited through its connectivity with National Securities Depository Limited and Central Depository Services (India) Limited.

Share transfer system :

Securities lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgement, if the documents are clear in all respects. Grievances received from investors and other miscellaneous correspondence on change of address, mandates, etc. are processed by the Registrars within 15 days.

Dematerialisation of shares:

During 2010-2011, 53123435 shares were dematerialised. Distribution of shares as on 31 March 2011 is given in Table 1.

Listing on Stock Exchanges:

The Shares of the Company are currently listed on the Bombay Stock Exchange Limited (BSE) situated at 1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

Stock Code: 531137 ISIN for depositories (NSDL & CDSL): INE503D01027

During the year 2010-2011, the listing fees payable to the Stock Exchange have been paid in full.

Table 1: Shares held in Physical and electronic mode:

	Net Change during the year		Position as on 31 st March, 2010		Position as on 31 st March, 2011	
	No. of Shares	% of total Shareholding	No. of Shares	% of total Shareholding	No. of Shares	% of total Shareholding
Physical	13151565	6.81	2027285	27.12	15178850	20.31
Demat:	25965329	24.32	864828	11.57	26830157	35.89
	28158106	17.51	4582887	61.31	32740993	43.80
Sub- Total	53123435	6.80	5447715	72.88	58571150	79.69
TOTAL	.	.	7475000	100.00	74750000	100.00

Market Price Data:

Table 2: Monthly highs and lows of Gemstone Investments Limited shares during 2010-2011

Month	Bombay Stock Exchange Limited	
	High(Rs.)	Low(Rs.)
April, 2010	97.45	72.05
May, 2010	127.95	90.00
June, 2010	125.00	95.25
July, 2010	199.45	115.00
August, 2010	202.70	11.75
September, 2010	13.90	9.76
October, 2010	10.81	7.49
November, 2010	15.88	11.35
December, 2010	13.75	7.72
January, 2011	10.87	7.52
February, 2011	9.54	5.52
March, 2011	7.27	5.12

Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2011 and 31 March 2010, while Table 4 gives the data according to size classes as on 31 March 2011.

Table 3: Distribution of shareholdings across categories

Categories	31 st March, 2011		31 st March, 2010	
	No. of Shares (Rs.)	% of total capital	No. of Shares (Rs.)	% of total capital
Promoters	868000	1.16	36559	0.49
Public holdings				
Bodies Corporate	5010396	6.70	439841	5.88
Individuals	68840935	92.09	6997701	93.61
Others	30669	0.041	899	0.012
Shares held by custodians	0	0.00	0	0.00
TOTAL	74750000	100.00	7475000	100.00

Table 4: Distribution of shareholding according to size class as on 31 March 2011

No. of Shares	No. of Shareholders		Shares held in each class	
	Number	%	Number	%
Upto 5000	1473	66.28	2242920	3.00
5001 to 10000	168	7.61	1394902	1.87
10001 to 20000	148	6.70	2299000	3.08
20001 to 30000	69	3.12	1814063	2.43
30001 to 40000	59	2.67	2169149	2.90
40001 to 50000	51	2.31	2518339	3.37
50001 to 100000	125	5.66	9693291	12.97
100001 above	116	5.25	52618336	70.39
TOTAL	2209	100.00	74750000	100.00

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s).

The prescribed nomination form will be sent by the share transfer agent of the company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

Address for correspondence

Investors and shareholders can correspond with the share transfer agent or at registered office of the Company at the following address:

Sharex Dynamic India Private Limited

Unit No. 1, Luthra Ind. Premises, Andheri Kurla Road, Safed Pool, Andheri (E) Mumbai – 400072.

Contact persons

Ali Shaikh
Tel No. 022-28515606, 28515644 • Fax No.022-28512885
e-mail: ali@sharexindia.com • Website: www.sharexindia.com

Registered office address:

Gemstone Investments Limited
B/602, Ramnik Smriti, B Wing, Behind Arya Arcade, Vikhroli Station Road, Vikhroli (West), Mumbai- 400 083.
Tel no. – 022-25780989/022-25780929 • Fax no – 022-25780929
E-mail – gemstoneltd@gmail.com • Website- www.gemstoneindia.com

DETAILS OF ADDITIONAL DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING- CLAUSE 49 OF LISTING AGREEMENT.

Name of Director	Mr. Mahesh Bhanushali	Ms. Shikha Kapasi	Mr. Hitesh Dave
Date of Birth	03/08/1970	05/10/1987	18/05/1972
Date of Appointment	3 rd September, 2011	3 rd September, 2011	3 rd September, 2011
Expertise in Specific Functional Areas	Business & Industry	Accounts & Finance	Finance and Investments
Qualifications	S.S.C.	B.Com	B.Com
Directorship held in other companies (excluding private and foreign cos.)	NIL	NIL	NIL

MANAGEMENT DISCUSSION AND ANALYSIS

As the world is climbing back from the recession, the economy is achieving stunning pace in growth value. It has also emerged resilient and continued its robust growth momentum. During the dip time the buzz was to invest at that time and reap the benefit when the economy is back to normal. Now it seems that we will be having a greater growth in the years to come and investing in stock will provide huge profits.

The services sector which has been a dominant part of India's GDP, also has maintained its strong growth momentum. On the flip side, inflation was the major concern for the policy makers for the year under review. The policy makers responded by tightening the monetary policies and increasing the interest rates very aggressively. During the year under review, the Central Bank, RBI increased the repo rate by 175 basis points to 6.75% and the reverse repo rate by 225 basis points to 5.75%. The primary causes of inflation have been:

- (i) increase in crude oil and other commodities driven by benign global liquidity aided by US Central Bank's Quantitative Easing (QE1 and QE2) and
- (ii) Spiraling food prices caused by supply falling short of relatively inelastic demand.

Nobody has any doubt in the potential and robust India growth story in the long term. The key variables to watch out for in the short term would be global crude and commodity prices, local inflation and monetary policy stance, government decisions on reforms, policies, infrastructure and monsoon.

Financial Markets

During the year under review, the Indian capital markets showed resilience to a number of negative news. The key benchmark indices Sensex and Nifty moved up by about 11% yoy. This was primarily driven by FII inflows at a healthy US\$ 30 bn during the year. The market sentiment and environment remained volatile and choppy. This also led to continued fall in relative share of cash market turnover and delivery volumes.

The overall market volumes went up by stupendous 40% yoy, whereas the cash market volumes fell by 17%. This understandably led to fall in weighted average brokerage yield of most players and operating margins came under a major squeeze. This can lead to a consolidation in the industry. The survivors should emerge stronger and benefit from the long term industry growth.

During the year under review interest cost witnessed a significant increase. However the credit growth continues and by and large NPAs remain under control for the industry.

Investment Income

The Company functions as an investment company with a primary objective of long term appreciation in the value of its portfolio.

The profits of the Company are derived from a mix of dividend and interest income. The Board of Directors, after due deliberations, propose to hold on the Investments and thereby providing an opportunity to benefit from a possible higher valuation of its investments. It is envisaged that the above modification in the investment strategy of the Company is likely to alter the attributes of the investment portfolio by elongating its investment horizon and enabling the Management to take a much longer term investment view, with the objective to further enhance the NAV.

Besides, based on available opportunities, the Company also deploys funds in equities and commodities trading activities. The income from investments activities stood at Rs. 11,14,927.56 during the year, as compared to a loss of Rs. (9619079.81) during last year.

Opportunities and Threats

Opportunities

- ❑ Economy is growing at healthy rate leading to investment / capital requirement
- ❑ Growing Financial Services industry's share of wallet for disposable income.
- ❑ Regulatory reforms would aid greater participation by all class of investors.
- ❑ Leveraging technology to enable best practices and processes.

Threats

- ❑ Execution risk.
- ❑ Slowdown in global liquidity flows.
- ❑ Increased intensity of competition from local and global players.
- ❑ Unfavorable economic conditions.

Strengths

Experienced top management

The top management team comprises qualified and experienced professionals, with a successful track record. The company believes that its management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs provide it with a competitive strength, which will help to implement its business strategies.

Independent and insightful research

GIL believes that its understanding of equity as an asset class and business fundamentals drives the quality of its research and differentiates it from its competitors. The research team is focused on equities, derivatives and commodities.

Strong risk management

Risk exposure is monitored and controlled through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. Risk management department analyses this data in conjunction with the company's risk management policies and takes appropriate action where necessary to minimize risk. The top management has a "hands – on" approach at a strategic level, at the same time delegating and decentralizing operations. Risk Management also forms a critical part of our training module across all levels so that all employees are trained on risk management and implications thereof. At the Company, a governance process has been institutionalized, which ensures that risk management concepts are applied to all business and risk types. Decision making levels are based on the Company's objectives and risk tolerance limits. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further at the Board.

Market risk

The financial services sector is affected by a variety of factors linked to economic development in India and rest of the world global fund flows and politics. Any economic event across the globe can have a direct or indirect impact on your Company. To mitigate this we have diversified our revenue streams across multiple product lines and businesses.

Human resources

Your Company's business critically depends on quality of manpower. Your Company's philosophy has been to hire the best talent and then give them autonomy to take decisions and implement. The Company has over the years, developed a work culture which is unique and can be summarized as people with 'Owner Mindset'. All the employees are aligned to the culture; they think, act and behave like owners as if it were their own business.

The Company's recruitment, re-training, rewarding and retention policies are developed to protect and fortify the core culture. Today, the Company offers a strong brand, a challenging work environment conducive for independent decision making and competitive compensation including stock ownership.

This allows the Company to attract and retain extremely qualified professionals with impeccable professional track records.

Internal controls

The Company has invested in ensuring that its internal audit and control systems are adequate and commensurate with the nature of our business and the size of our operations. The Auditors' reports and recommendations and rectifications / implementations are reviewed by the top management and Audit Committee at regular intervals. The internal processes have been designed to ensure adequate checks and balances at every stage. The processes are reviewed periodically by Internal Auditors as well as Audit Committee and amended as required.

Outlook

Your Company is well placed to seize the long term opportunity in financial services space in India. India's national income is expected to grow at an annual rate of over 8% in real terms, which will be close to 14-15% p.a. in monetary or nominal terms. Invariably, a developing economy passing through such rapid growth phase, witnesses its financial services sector to grow at 1.5 to 2 times the national income growth. The sector while has tremendous long term potential to grow, has a distinct characteristic of being cyclical. Therefore we see a sort of roller coaster ride. Long term players like your Company, see this as an opportunity rather than an obstacle. Invariably when head winds are strong, the weaker players fall off the roller coaster, paving way for the long term players to emerge strong.

Cautionary statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

CERTIFICATION BY MANAGING DIRECTOR ON FINANCIAL STATEMENTS

I, Mr. Narendra Ganatra, Managing Director of the Company hereby certify that:

- a. I have reviewed the financial statements and cash flow statement for the year ended 31st March, 2011 and to the best of my knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contains statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b. To the best of my knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 are fraudulent, illegal or violative of the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financing reporting and I have evaluated the effectiveness of internal control system of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies;
- d.
 - i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in Accounting policies during the year; and
 - iii) Instances of significant fraud, if any of which we have become aware, and involvement therein, if any, of the management or an employee having a significant role in Companies internal control system over financial reporting shall be disclosed.

Place : Mumbai
Date : 3rd September, 2011

Sd/-
Narendra Ganatra
Managing Director

M/S SHAH JADAVJI & CO. NAVIN R. GALA, B.COM. FCA.
CHARTERED ACCOUNTANTS

3/302, Shiplyan Building, Shivaji Path, Thane 400601 • Tel. No 21028991

**AUDITOR'S REPORT ON CORPORATE GOVERNANCE
TO THE MEMBERS OF GEMSTONE INVESTMENTS LTD.**

We have examined the compliance of condition of corporate governance by GEMSTONE INVESTMENTS LIMITED as stipulated in clause 49 of the listing Agreement of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, We certify that the company has complied with the condition of corporate governance as stipulated in clause 49 of the listing agreement.

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

For **M/S. SHAH JADAVJI AND CO.**
Chartered Accountants

Sd/-

NAVIN R. GALA
Partner
Mem No.: 40640
Firm Reg. No.: 109620W

Place : Thane
Date : 30/05/2011

M/S SHAH JADAVJI & CO. NAVIN R. GALA, B.COM. FCA.
CHARTERED ACCOUNTANTS

3/302, Shiplyan Building, Shivaji Path, Thane 400601 • Tel. No 21028991

Auditor's Report to the Members of GEMSTONE INVESTMENTS LIMITED

1. We have audited the attached Balance Sheet of **GEMSTONE INVESTMENTS LIMITED**, as at 31st March, 2011 and the attached Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, (the said order) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, (the Act,) as amended by the Companies (Auditors Report) amendment Order, 2004, and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanation given to us during the course of our audit. We enclose in the Annexure a statement on the matter specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, We report that :
 - (1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (2) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - (3) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

- (4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards as referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- (5) On the basis of written representations received from the directors of the Company as at 31st March, 2011 and taken on record by the Board of Directors, none of the directors is, prima facie disqualified as on above date from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. Subject to the forgoing, in our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes on accounts and other notes thereon, give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principle generally accepted in India.
- a. In the case of Balance Sheet, of the state of affairs of the Company's as at 31st March 2011;
- b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date;
and
- c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SHAH JADAVJI & CO.**
[Chartered Accountants]

Sd/-

Navin R. Gala
Partner

Membership No. 40640
Firm Reg. No. 109620W

Place : Thane

Date : 30th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date:)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management at reasonable intervals having regard to size of the Company and nature of its assets. We have been informed that no material discrepancies were noticed during such physical verification.
- (c) According to information and explanation given to us, we are of the opinion that during the year, the company has not sold/disposed off any substantial part of its fixed assets; accordingly, going concern is not affected and hence the provisions of sub-clause (c) of clause (i) of this order are not applicable.
- ii. According to information and explanation given to us, the company is Non Banking Finance Company which does not carry any inventory.
- iii. (a) The Company has granted loan of Rs. 9.50 Lacs (Previous Year 5,00 Lacs) to M/s Asian Comtrade Pvt. Ltd. a company listed in the Register maintained under section 301 of the Act.
- (b) We have been informed that the company is holding 24.48% of the shares of M/S. Asian Comtrade Pvt. Ltd. The loan does not carry any interest. The loan is granted to company for its working Capital to carry business which is in the interest of The Company.
- (c) The company has recovered Rs. 9,54 lacs and the balance amt of Rs. 4.96 lacs is outstanding.
- (d) There are no Overdue amount exceeding Rs. 1.00 Lacs.
- (e) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act, Clause (f) and (g) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchase and sale of fixed assets. Further based on our examinations and according to the information and explanations given to us, we have neither come across nor have we been informed of any major weakness in the internal control.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, if any, have been so entered.

- (b) In our opinion and according to the 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 Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regards to prevailing market prices at the relevant time.
- vi. The Company has not taken any deposits from the public within the meaning of section 58A & 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposit) rules 1975 and hence the provision of the clause of 4(vi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. In our opinion and according to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956, for the services provided by the Company.
- ix. (a) Undisputed Statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it, have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at March 31, 2011 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, no dues of vat tax, customs duty wealth tax, excise duty, and cess which have not been deposited on account of any dispute.
- x. The Company has accumulated cash losses of Rs 18.28 Lacs (Rs. 38.87 lacs) as at March 31, 2011.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial Institutions, as at balance sheet date.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advance on the basis of security by way of pledge of shares, debentures and other securities.

- xiii. In our opinion, the Company is not chit fund or a nidhi mutual benefit fund / Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. According to the information and explanation given to us, the Company has maintained proper records of transaction and contracts as to dealing or trading in shares and other investments held by the Company in its own name except to the extent, of the exemption if any, granted under section 49 of the Companies Act, 1956 and timely entries have been made therein.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from Bank or financial institutions.
- xvi. The Company has not taken any term loan during the year therefore the question of its application for the purpose for which they were raised does not arise.
- xvii. On the overall examinations of the balance sheet of the company, in our opinion and according to information and explanations given to us, no instances of application of long term funds for short term purposes and short term fund for long term purposes were noticed.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of equity shares to parties covered in the register maintained under section under section 301 of the act, hence the provisions of clause (xviii) are not applicable.
- xix. The Company has not issued any debentures during the year; hence the provisions of clause (xix) are not applicable.
- xx. The Company has not made any Public Issue during the year and therefore the question of disclosing the end use of money does not arise.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **M/S SHAH JADAVJI AND CO.**
Chartered Accountants

Sd/-

NAVIN R. GALA
PARTNER
MEM NO:40640
FIRM REG NO.:109620W

Place : Thane
Date : 30th May, 2011.

BALANCE SHEET AS AT 31st MARCH, 2011

Particulars	Schedule No.	As on 31/3/2011	As on 31/3/2011 Rs.	As on 31/3/2010 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
Share Capital	1		74,750,000.00	74,750,000.00
RESERVE & SURPLUS				
Capital Reserve			3,693,335.59	3,693,335.59
Investment fluctuation reserve			4,233,201.60	4,233,201.60
Share Forfeiture Reserve			9,126,000.00	9,126,000.00
Share premium Reserve			116,550,000.00	116,550,000.00
Loans (Liability)				
Secured Loan			880,180.00	-
Unsecured Loan			600,000.00	1,100,000.00
			209,832,717.19	209,452,537.19
APPLICATION FUNDS				
FIXED ASSETS				
Gross Block		2,103,570.00	-	-
Less :- (Depreciation)		368,570.00	-	-
Net Block			1,735,000.00	
INVESTMENT	2		20,937,730.25	22,472,942.91
CURRENT ASSETS				
LOANS & ADVANCES				
a. Current Assets				
1. Cash & Bank Balance	3	879,146.38		2,770,999.64
2. Other Current Assets	4	6,444,713.77		6,440,535.37
		7,323,860.15		9,211,535.01
b. Loans & Advances	5	209,676,866.00		248,811,252.00
Total Current Assets (A)			217,000,726.15	258,022,787.01

Particulars	Schedule No.	As on 31/3/2011	As on 31/3/2011 Rs.	As on 31/3/2010 Rs.
CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities	6	29,046,597.21		73,221,733.00
b. Provisions	7	2,621,748.00		1,708,300.00
Total Current Liabilities (B)			31,668,345.21	74,930,033.00
Net Current Assets (A)-(B)			185,332,380.94	183,092,754.01
Miscellaneous Expenditure (To the extent not written off or adjusted)				
Profit & Loss			1,827,606.00	3,886,840.27
			209,832,717.19	209,452,537.19
Notes To Accounts	12			

As per our report of even date

For **SHAH JADAVJI & CO.**
Chartered Accountants

Sd/-

NAVIN GALA
Partner
M NO. 40640
FIRM REG NO. 109620W
THANE:- 30th May, 2011

Sd/-

NARENDRA GANATRA
Managing Director

Sd/-

ANANT PALAN
Director

PROFIT & LOSS FOR THE YEAR ENDING ON 31ST MARCH 2011

Particulars	Schedule No.	As on 31/3/2011 Rs.	As on 31/3/2010 Rs.
INCOME			
Income from Finance Operations	8	21,656,106.50	18,407,957.50
Income from Investment Operations	9	1,114,927.56	-9,619,079.81
TOTAL INCOME		22,771,034.06	8,788,877.69
EXPENDITURE			
Staff Cost	10	2,418,636.00	1,550,110.00
Operating & Administrative Cost	11	16,973,324.79	1,563,211.44
Interest paid on unsecured loan		-	-
Interest paid on service tax / TDS		-	-
Bank Interest		54,361.00	-
Depreciation		368,570.00	-
Miscellaneous Expenses		-	-
Loss on sale of Investments		-	-
Loss on sale of Fixed Assets		-	-
Preliminary Expenses w/off		-	-
Public issue Expenses		-	-
TOTAL EXPENDITURE		19,814,891.79	3,113,321.44
OPERATING PROFIT		2,956,142.27	5,675,556.25
Add:- Non – Operating Income		-	-
Sundry Balance Written Back		-	-
Interest on income Tax Refund		-	-
		2,956,142.27	5,675,556.25
Less:- Sundry Balance Written off		-	-
Less:- Provisions for Non-performing Assets Permanent decline in value of long term investments		-	-
(LOSS) / PROFIT BEFORE TAX		2,956,142.27	5,675,556.25
Less:- Provisions for tax For A.Y. 2010-11		896908.00	1565800.00
Add:- Prior Year Income		-	-
Less:- Prior year expenses		-	-
Balance brought forward from previous year		2,059,234.27	4,109,756.25
Less:-transfer to general reserve		3,886,840.27	7,996,596.52
Balance carried forward to Balance sheet		-	-
		(1,827,606.00)	(3,886,840.27)

As per our report of even date

For **SHAH JADAVJI & CO.**
Chartered Accountants

Sd/-

NAVIN GALA

Partner

M NO. 40640

FIRM REG NO. 109620W

THANE:- 30th May, 2011

Sd/-

NARENDRA GANATRA
Managing Director

Sd/-

ANANT PALAN
Director

SCHEDULE FORMING PART OF THE BALANCE AS AT 31ST MARCH, 2011

PARTICULARS	As on 31 March 2011 Rupees	As on 31 March 2010 Rupees
SCHEDULE 1		
SHARE CAPITAL		
Authorised Capital (10,00,00,000 Equity shares of Re. 1/- each)	100,000,000.00	100,000,000.00
Issued, Subscribed & paid up capital paid up capital (7,47,50,000 equity shares of Re 1/- each previous year 7,47,50,000)	74,750,000.00	74,750,000.00

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

**SCHEDULE 2
INVESTMENTS (AS COST, NON TRADE & FULLY PAID)**

No of Shares Current Year	Previous year	Face value	Name of the Company	31 st March, 2011 Rupees	31 st March,2010 Rupees
Long term investment in equity shares			Listed		
325000.00	325000.00	1	Spectacle Industries Ltd	15,093,217.00	15,093,217.00
102755.00	102755.00	10	RFL International	107,513.25	107,513.25
-	48483.00		Nissan Corp	-	1,256,582.66
-	35000.00		Seax Global	-	1,778,630.00
			Unlisted		
183700.00	183700.00		Asian Commtrade P. Ltd	1,837,000.00	1,837,000.00
240000.00	240000.00		Asian Fin Trade Services P. Ltd	2,400,000.00	2,400,000.00
150000.00	-		Aishwariya Capital Services P. Ltd.	1,500,000.00	
			TOTAL VALUE	20937730.25	22472942.91
Market Value of Quoted investments				6204210	37462721

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	AS AT MARCH 2011 RUPEES	AS AT MARCH 2010 RUPEES
SCHEDULE 3 CASH AND BANK BALANCES		
Cash on hand	32590.14	9752.14
Balances with bank		
HDFC Bank(Ghatkoper Brach)	0.00	325681.10
HDFC Bank(Vikraoli Branch)	846556.24	2435566.40
	879146.38	2770999.64
SCHEDULE 4 OTHER CURRENT ASSETS		
Tds (A.Y. 08-09)	442845.00	442845.00
Tds (A.Y 09-10)	1180705.00	1180705.00
Tds(A.Y 10-11)	2265271.00	2259271.00
Tds(A.Y 11-12)	1803045.00	0.00
Other Current assets	748991.00	2553857.60
Duty and Taxes	3856.77	3856.77
	6444713.77	6440535.37
SCHEDULE 5 LOANS AND ADVANCES		
Loan on Installment basis others		
Unsecured, considered good	209676866.00	248811252.00
	209676866.00	248811252.00
SCHEDULE 6 CURRENT LIABILITIES		
Audit fees payable	79454.00	34783.00
Directors Remuneration payable	816391.21	797838.00
Professional fees Payable	75388.00	55388.00
Accounting chgs Payable	111000.00	66000.00
Other current liabilities	0.00	0.00
Salary Payable	0.00	273000.00
Brokerage Payable	0.00	367200.00
TDS Payable	40364.00	92524.00
Rent Payable	24000.00	21000.00
Share Application Money	27900000.00	71514000.00
	29046597.21	73221733.00
SCHEDULE 7 PROVISIONS FOR TAX		
Income Tax (A.Y. 2008-09)	142500.00	142500.00
Income Tax(A.Y. 2010-11)	1565800.00	1565800.00
Income Tax(A.Y. 2011-12)	913448.00	0
	2621748.00	1708300.00

**SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	AS AT 31ST MARCH 2011 RUPEES	AS AT 31ST MARCH 2010 RUPEES
SCHEDULE 8 INCOME FROM FINANCE OPERATIONS		
Interest received	21581439.00	18347710.00
Dividend	74667.50	60247.50
	21656106.50	18407957.50
SCHEDULE 9 INCOME FROM INVESTMENT OPERATIONS		
Profit / Loss in Shares transaction	1083275.77	-9218067.70
Speculative Profit/ Loss	31651.79	- 401012.11
	1114927.56	-9619079.81
SCHEDULE 10 STAFF COST		
Salary & Wages	2348500.00	1455640.00
Staff Welfare	70136	94470.00
	2418636.00	1550110.00
SCHEDULE 11 OPERATING & ADMINISTRATION COST		
Printing & Stationery	85208.00	0.00
Administration & other expenses	16728481.79	1499091.44
Professional fees	110000.00	20000.00
<u>Payment to auditors</u>		
Audit Fees	49635.00	44120.00
	16973324.79	1563211.44

Accounting Year : 31.03.2011 Depreciation as per Companies Act												
Sr. NO.	DESCRIPTION OF FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		Opening Balance As on 1/4/2010	Additions	Deletion	Total	As at 31st March 2010	For the year	on Deductions	As at 31st March 2011	As at 31st March 2010	Rate of Dep.	
1.	Office Equipments	-	16900.00	0.00	16900.00	-	1115.00	0.00	1115.00	15785.00	13.91%	
2.	Car	-	2086670.00	0.00	2086670.00	-	367455.00	0.00	367455.00	1719215.00	25.88%	
	Total	0.00	2103570.00	0.00	2103570.00	0.00	368570.00	0.00	368570.00	1735000.00		
	Previous Year											

FOR THE YEAR 2010-11
SCHEDULE -12: Accounting Polices & Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of Financial Statement :

- i. The financial statement have been prepared under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India (GAAP) and in compliance with the Accounting Standards issued by The Institute of Chartered Accountants of India and the provisions of the Companies act, 1956 as adopted consistently by the company.
- ii. Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.
- iii. The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made, that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

B. Revenue recognition :

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

C. Expenditure :

Expenses are accounted on accrual basis and the provisions are made for all known losses and liabilities.

D. Fixed Assets and Depreciation :

(i) Fixed Assets

Fixed assets are stated at their original cost of acquisition including incidental expenses related to acquisition & installation of the concerned assets less accumulated depreciation and impairment losses, if any :-

(ii) Depreciation / Amortization

Depreciation on fixed assets are provided on W.D.V. basis at the rates prescribed under Companies Act.

E. Investments :

Investments are classified into current investment and long term investments. Current investments are stated at lower of cost or fair market value. Long Term Investments are stated at cost less provision for permanent diminution in value if any, of investments.

F. Deferred Tax :

Deferred Income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty of their realization and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

G. Provision for Tax :

Provision for current tax is determined on the basis of estimated taxable income for the period as per the provisions of Income Tax Act, 1961. Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

H. Earnings per Share (EPS) :

The earnings considered in ascertaining the Company's EPS are computed as per Accounting Standard 20 on "Earning per Share", issued by the institute of Chartered Accountants of India. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti dilutive.

I. Provision and Contingent Liabilities :

Provisions are recognized and computed in accordance with Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of Chartered Accountants of India i.e. they are recognized if the following conditions are satisfied :

- (a) The Company has a present obligation as a result of past event ;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

Similarly, the Contingent liabilities are disclosed in Accordance with the Accounting Standard 29 i.e. they are disclosed when the Company has a possible obligation or a present obligation and it is probable that a Cash Outflow will not be required to settle the obligation.

- 2. Provision of Rs. NIL for the diminution in investment is transferred to the Investment Fluctuation Reserve.
- 3. The company adopts the accounting system as stipulated under Non banking Financial Companies Prudential Norms, (Reserve Bank) Directions, 1998 dated 2nd January, 1998 issued by Reserve Bank of India in respect of Income Recognition provisioning and assets classification for Non-Banking Financial Companies are followed by the company in preparation of accounts.
- 4. Additional information pursuant to the paragraph 3 and 4 of the part II to the Schedule VI to the companies Act, 1956 has been given to the extent applicable.

Value of import on CIF basis (previous year 'Nil')	NIL
Expenditure in foreign currency (previous year 'Nil')	NIL
Earning in foreign currency (previous year Nil)	NIL
Remittance in foreign currency on account of dividend to foreign shareholders (Previous year Nil)	NIL

- 5. Disclosure as required by Accounting Standard 18 (AS-18) Related party Disclosures issued by the Institute of Chartered Accountants of India are as follows.

Name of the related parties and description of relation :

(a) Directors	Mr. Narendra P. Ganatra
	Mr. Nimesh P. Ganatra
	Mr. Lalit Dhirajlal Gandhi.
	Mr. Pravin Hansraj Haria
	Mr. Anant Palan

Enterprises owned or significantly influenced by key management personnel or their relatives

- (a) Asian Fintrade Services Pvt. Ltd.
- (b) Asian Comtrade Pvt. Ltd.
- (c) Money Mount Securities Pvt. Ltd.
- (d) Power-Point Energy Pvt. Ltd.

The following is the transaction entered with the Related Parties.

Sr. No.	Nature of Transaction	Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31st March, 2010	Year Ended 31st March, 2011
1	Investment in equity		
	Asian Comtrade P. Ltd.	18,37,000	18,37,000
	Asian Fintrade Services P. Ltd.	24,00,000	24,00,000
2	Loans Given		
	Asian Comtrade P. Ltd.	5,00,000	9,50,000
3.	Loan Received Back		
	Asian Comtrade P. Ltd.	NIL	9,53,971
4	Sale & Purchases of Securities (as Share Broker)		
	Asian Fintrade Services P. Ltd. (Sale)	NIL	5,31,007
	Do (Purchase)	NIL	5,02,369

Sr. No.	Nature of Transaction	Directors	
		Year Ended 31st March, 2010	Year Ended 31st March, 2011
1	Remuneration		
	Narendra Ganatra	4,95,000	5,40,000
	Nimesh Ganatra	80,000	2,20,000

6. Disclosure as required by Accounting Standard 20 (AS-20) 'earning per Share' issued by The Institute of Chartered Accountants of India are as follows :

Particulars	31st March 2011	31st March 2010
I. Profit Computation for both basic and diluted earning per share of Rs. 10 each		
Net Profit as per profit and loss account available for equity shareholders	20,59,234.27	4109756.25
(II) weighted Average Number of equity shares for earning per share for earning per share computation		
For basic/diluted earning per share	74750000	5790625
Basic/Diluted earning per share	0.028	0.70

7. Directors remuneration :

Name	Current Year (Rs.)	Previous Year (Rs.)
Mr. Narendra Ganatra	5,40,000	4,95,000
Mr. Nimesh Ganatra	2,20,000	80,000

8. Payment to Auditors :

	Current Year (Rs.)	Previous Year (Rs.)
Audit Fees	37,226	33,090
Tax Audit Fees	12,409	11,030

CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	Year Ended 31/3/2011		Year Ended 31/3/2010	
	Rs.		Rs.	
A) Cash flow from operating activities Net Profit before tax & extra ordinary items & prior period items	2956142		5675556	
Adjustments For:				
i) Profit on sale of investments				
ii) Provisions for non performing assets no longer required.				
iii) Provisions for decline in investment no longer required				
iv) Dividend income	(74668)		(60248)	
v) Prior periods expenses				
vi) Prior Period Income				
	2881474		5615308	
vi) Preliminary expenses				
vii) New issue expenses written off				
viii) Depreciation -	368570			
ix) Provision for non performing assets				
x) Sundry balance written back				
xi) Loss on Sale of Shares				
xii) Provisions for Tax	896908		1565800	
xiii) Provisions for decline in value of investments	-		-	
	528338		1565800	
OPERATING PROFITS BEFORE WORKING CAPITAL CHANGES		2353136		4049508
Change in Working capital				
i) Other current assets	-4179		- 4492942	
ii) Loans and advances	39134386		- 65720984	
iii) Taxes Paid (T.D.S)				
iv) Current liabilities and Provisions	-43261688	-4131481	16521494	-53692432
Cash flow from operating activities		-1778345		-49642924
B) Cash flow from investing activities				
i) Purchase of fixed assets	-2103570			
ii) Acquisition of investment (net of sales)	1535213		-20229727	

iii) Dividend received	74668		60248	
iv) Sale of fixed assets				
v) Loss on sale of Fixed assets				
vi) Net income from sale of investment				
vii) Increase in Share Capital and Share premium			70326000	
Net cash used in investment activities		-493689		50156521
		-2272034		513597
c) Cash Flow from financial activities (Repayment of loan) / proceeds from borrowing	380180	380180	1100000	1100000
Net Charges in cash or cash equivalents(A+B+C)		-1891854		1613597
Cash& Cash equivalents				
Opening Balance	2771000		1157403	
Closing Balance	879146		2771000	

As per our report of even date

For **SHAH JADAVJI & CO.**
Chartered Accountants

Sd/-

NAVIN GALA
Partner
M NO. 40640
FIRM REG NO. 109620W

THANE:- 30th May, 2011

Sd/-
NARENDRA GANATRA
Managing Director

Sd/-
ANANT PALAN
Director