



KANANI INDUSTRIES LIMITED

**25TH
ANNUAL REPORT**

2007-2008

TWENTY FIFTH ANNUAL GENRAL MEETING**DATE: -** 07TH JULY, 2008**DAY: -** MONDAY**TIME: -** 11.30 A.M.**PLACE: -** REGISTERED OFFICE,
G-6, PRASAD CHAMBERS,
OPERA HOUSE,
MUMBAI-400 004**Contents**

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BOARD OF DIRECTOR:	PREMJIBHAI D.KANANI HARSHIL P.KANANI VINUBHAI L.KANANI SHAILESH R.PATEL DEVENDRA K. KIKANI GAUTAM B. PAREKH NAGJIBHAI K.VITHANI	CHAIRMAN MANAGINGDIRECTOR EXECUTIVEDIRECTOR DIRECTOR DIRECTOR DIRECTOR DIRECTOR
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Compliance Officer:	DARSHAK A. PANDYA
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STATUTORY AUDITORS:	RAVI & DEV CHARTERED ACCOUNTANTS 377-B, J.S.S.ROAD, CHIRA BAZAR, MUMBAI: 400002
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BANKERS:	STATE BANK OF INDIA BANK OF BARODA
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REGISTERED OFFICE:	G-6, PRASAD CHAMBERS, TATA ROAD NO.2, OPERA HOUSE, MUMBAI: 400004
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FACTORY:	PLOT NO.42, SURAT SPECIAL ECONOMIC ZONE, NEAR SACHIN RLY.STN. SACHIN, DIST: - SURAT. GUJARAT
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NOTICE

Notice is hereby given that the 25th Annual General Meeting of the Members of **KANANI INDUSTRIES LIMITED** will be held at the Registered Office of the Company at G/6, PRASAD CHAMBERS, TATA ROAD NO.2, OPERA HOUSE, MUMBAI: 400004, on **Monday, July 07, 2008** at 11.30 A.M. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider, adopt and approve the Balance Sheet as at March 31, 2008 and the Profit and Loss Account for the year ended as on that date along with Reports of the Directors' and Auditor's thereon.
2. To consider declaration of dividend @ 5%.
3. To appoint a Director in place of Mr. Gautam Parekh, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shailesh Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint M/s. Ravi & Dev, Chartered Accountants, Mumbai, as the Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED that pursuant to the applicable provisions of the Companies Act 1956 read with Articles 116 & 117 of the Articles of Association of the Company and such other approvals, permissions and sanctions as may be necessary and subject further to such terms, conditions, alterations, modifications, changes and variations as may be specified while according such approvals which the Board of Directors of the Company be and is hereby authorised to capitalise upto Rs. 1,49,90,000/- out of 'Reserves and Surplus' and transferred to share capital account towards issue and allotment of equity shares not exceeding 14,99,000 equity shares of Rs. 10/- each, as bonus shares credited as fully paid-up, to members of company holding equity shares of Rs. 10/- each whose names stand in the register of members of the company on 04th July 2008 as the directors may determine, in that behalf in the proportion of One new fully paid-up equity shares of Rs. 10/- each for every One Equity Share of Rs. 10/- each [i.e. in the ratio of 1:1], held as on the date of closure of transfer books and that the bonus shares so issued and allotted be treated for all purposes as an increase of the nominal amount of the Equity Capital of the Company held by each such member/person and not as income and that the said Equity Shares be issued and allotted, inter-alia, on the following terms and conditions:

- (a) The new Equity Shares of Rs. 10/- each to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects and carry the same rights as the then existing Equity Shares of the Company, notwithstanding the date or dates of allotment thereof, including entitlement to payment of dividend, if declared, for the financial year in which the same are allotted.
- (b) No letters of Allotment shall be issued for the Bonus Shares and the Share Certificates in respect thereof shall be delivered within 3 months from the date of their allotment.

RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things as may in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to the issue and allotment of Bonus Shares as aforesaid or any other matter incidental or consequential thereto.

**For and On behalf of the
Board of Directors**

**Place: Mumbai
Date: 11/06/2008**

**SD/-
PREMJIBHAI D. KANANI
CHAIRMAN.**

REGISTERED OFFICE:

**G/6, PRASAD CHAMBERS,
TATA ROAD NO.2, OPERA HOUSE,
MUMBAI: 400004.**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, 04/07/2008 to Monday, 07/07/2008** (both days inclusive.)

3. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.

4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday & public holidays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

5. For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.

6. IF THE MEMBERS HAVE ANY QUERIES ON THE AUDITED ACCOUNTS, DIRECTORS' REPORT & AUDITOR'S REPORT, THE SAME SHOULD BE FORWARDED TO THE COMPANY IN WRITING AT ITS REGISTERED OFFICE AT LEAST 10 DAYS BEFORE THE MEETING SO THAT THE SAME CAN BE REPLIED AT THE TIME OF ANNUAL GENERAL MEETING TO THE MEMBERS' SATISFACTION.

7. Members are requested to bring their copies of the reports to Annual General Meeting.

8. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith share certificates to the Company.

9. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for Item No.6 is attached to this Notice.

10. In order to exercise strict control over the transfer documents, members are requested to send the transfer documents/ correspondence, if any, directly to:

INTIME SPECTRUM REGISTRY LIMITED

C/13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai: 400078
Ph. 022 25963838 Fax: 022 5946969.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**Item No.6:**

Due to the availability of large reserve base with the Company and with a view to expand the capital base of the company as also to reward the members of the Company, your Directors have proposed that sum not exceeding Rs. 1,49,90,000/- be drawn from the `Reserves and Surplus' of the Company and capitalised and transferred to Share Capital Account towards issue and allotment of Equity Shares not exceeding 14,99,000 Equity Shares of Rs. 10/- each as Bonus Shares, credited as fully paid-up, to the members holding Equity Shares as on the Record Date to be specified in this behalf by the Board of Directors. The Bonus Shares will be issued in the proportion of One new Equity Share for every One Equity Share held on the date on which transfer books are closed. The said Bonus Shares shall rank pari-passu with the then existing Equity Shares of the Company.

The Board therefore recommends the said Resolution for your approval and consent.

None of the directors (except those who may be interested on the basis of their respective shareholding in the Company) may be deemed to be concerned or interested in passing of the said Ordinary Resolution.

**For and On behalf of the
Board of Directors**

**Place: Mumbai
Date : 11/06/2008**

**SD/-
PREMJIBHAI D. KANANI
CHAIRMAN.**

REGISTERED OFFICE:

**G/6, PRASAD CHAMBERS,
TATA ROAD NO.2, OPERA HOUSE,
MUMBAI: 400004.**

FORM**[SEE RULE 3]
Compliance Certificate**

Registration No.: 11- 029598
Nominal Capital: Rs. 15,000,000 /-

To,
The Members,
KANANI INDUSTRIES LIMITED
(Formerly known as IMP FINANCE LIMITED)
G/6, PRASAD CHAMBERS, TATA ROAD NO.2,
OPERA HOUSE, MUMBAI: 400004.

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

1. The Company has kept and maintained all registers as stated in **Annexure `A`** to this Certificate, as per the provisions of the Companies Act, 1956 (herein after referred to as the Act) and the rules made there under and all entries therein have been duly recorded.

2. The Company has duly filed the forms and returns as stated in **Annexure `B`** to this Certificate, with the Registrar of Companies, Maharashtra, within the time prescribed under the Act (except specifically mentioned) and the rules made there under for the financial year under review.

3. The Company being public limited company, comments in this regard are not required.

4. The Board of Directors duly met 09 times on 30/06/2007, 28/07/2007, 30/08/2007, 29/09/2007, 23/10/2007, 18/12/2007, 18/01/2008, 19/02/2008 & 19/03/2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

5. The Company closed its Register of Members pursuant to Section 154 of the Act from 27th September, 2007 to 29th September, 2007 during the financial year under review.

6. The Annual General Meeting for the financial year ended on March 31, 2007 was held on **September 29, 2007** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

7. One Extra-ordinary Meeting of the Company was held during the year under review after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

8. Since the Company has not advanced Loans to Directors of the Company or Firms or Companies referred in Section 295 of the Act, hence provisions of the said section regarding loans advanced do not apply and hence there is nothing to report in this matter.

9. The Company has entered into contracts falling within the purview of Section 297 of the Act.

10. The Company has entered into contract(s) in which Director(s) of the Company is/are interested pursuant to Section 301 of the Act for the year under review and the necessary entries in this regard were made in the Register as maintained by the Company for this purpose.

11. None of the Directors of the Company holds office or place of profit pursuant to the provisions of Section 314 of the Companies Act, 1956.

12. The Company did not issue any Duplicate Share Certificates for the financial year under review; hence there is nothing to report in this matter.

13.

- i. The Company has not allotted any Shares but has physically transferred 30450 Equity shares during the financial year under review.
- ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year under review.
- iii. The Company was not required to pay/post warrants for dividends to all its members within the period of 30 (Thirty) days as no dividend was declared during the financial year under review and the Company was not required to transfer any Unclaimed/Unpaid dividend to any Unpaid Dividend Account of the Company during the financial year under review.
- iv. The Company was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits and the interest accrued thereon which have remained unclaimed or unpaid or a period of seven years to Investor Education and Protection Fund during the financial year under review.
- v. The Company has duly complied with the requirements of Section 217 of the Act for the financial year under review.

14. The Board of Directors of the Company is duly constituted and the Company has filled all relevant forms for changes in the Board of Directors as mentioned in Annexure B to this Report.

15. The Company has duly appointed Managing Director and Whole-time Director of the Company pursuant to Section 269 read with Schedule XIII of the Act during the year under review and the Company has filled all relevant forms for such appointments as mentioned in Annexure B to this Report.

16. The Company has not appointed any sole-selling agents during the financial year under review in compliance of the provisions of the Act.

17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.

18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under for the financial year under review.

19. The Company has not ISSUED any Shares during the financial year under review.

20. The Company has not bought back any shares during the financial year under review.

21. The Company has not redeemed any preference shares/debentures during the financial year under review.

22. There were no transactions requiring the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act during the financial year under review.

23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act read with The Companies (Acceptance of Deposits) Rules, 1975 during the financial year under review and hence there is nothing to report in this matter.

24. The Company has not exceeded the limits pursuant to the provisions of Section 293 (1) (d) of the Act and hence there is nothing to report in this matter.

25. The Company has not made any loans or Investments, or given guarantees or provided securities, in other bodies corporate in accordance to the provisions of Sec.372A of the Act, during the financial year under review.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.

27. The Company has altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.

28. The Company has altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.

29. The Company has altered the Memorandum with respect to share capital of the Company during the year under scrutiny.

30. The Company has altered its Articles of Association during the financial year under scrutiny.

31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and also no fines and penalties or any other punishment was imposed on the Company during the financial year under review.

32. The Company has not received any money as security from its employees during the year under certification to be deposited as per provisions of Section 417(1) of the Act during the financial year under review.

33. There is nothing to report regarding employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to the provisions of Section 418 of the Act for the financial year under review.

**M/s. DEEP SHUKLA & ASSOCIATES
COMPANY SECRETARIES**

SD/-

**Place: Mumbai
Date: 11/06/2008**

**{PROPRIETOR}
C.P.NO.5364**

Annexure A

The Company has maintained the following Registers:

- i. Register of Members and Shareholders u/s 150 of the Companies Act, 1956.
- ii. Register of Contracts u/s 301 of the Companies Act, 1956
- iii. Register of Directors, Managing Directors, etc. u/s 303 of the Companies Act, 1956.
- iv. Register of Directors' Shareholdings u/s 307 of the Companies Act, 1956.
- v. Returns u/s.163 of the Companies Act, 1956.
- vi. Minutes Book of the Meetings of:
 - Board Meetings.
 - General Meetings.

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, during the financial year ending on 31st March, 2008.

Sr. Nos.	Form Nos./ Returns/ Particulars	Filed under Section	For	Date of Filing	Whether filed within prescribed time	If Delay in filing whether requisite additional fees paid.
1	Annual Return made up to 29.09.2007	159	AGM held on 29.09.07	26.11.07	Yes	No
2	Balance Sheet as at 31.03.2007	220	For Financial year 31/03/07	27.10.07	Yes	No
3	Compliance Certificate for Fin. Year 2006-07	383A	For Financial year 31/03/07	26.11.07	Yes	No
4.	Form No. 18	146	Change of Regd. Office	27.12.07	Yes	No
5.	Form 1A		Change of name of the Company	23.08.07	NA	NA
6.	Form 23	21 read with 23 and 17 and 149(2A)	Change of name and objects of the Company w.e.f. 29/09/2007 including commencement of business	06.10.07	Yes	No
7.	Form 1B	21	Change of name of the Company	06.10.07	Yes	No
8.	Form 32	303(2)	Appt. of Directors of the Company w.e.f. 28/07/2007	13.08.07	Yes	No

9.	Form 32	303(2)	Resignation of Directors of the Company 28/07/2007	10.08.07	Yes	No
10.	Form 32	303(2)	Resignation of Directors of the Company 28/07/2007	10.08.07	Yes	No
11.	Form 32	303(2)	Appt. of Directors of the Company w.e.f. 29/09/2007	20.10.07	Yes	No
12.	Form 32	303(2)	Change in designation of Directors of the Company w.e.f. 01/01/2008	18.02.08	No	Yes
13.	Form 23	198, 269, 309	Appt. of Managing Director	07.04.08	Yes	No
14.	Form 23	198, 269, 309	Appt. of Executive Director	07.04.08	Yes	No
15.	Form 23	31 & 94	Authorised capital increase w.e.f. 15/03/2008.	07.04.08	Yes	No
16.	Form 5	94	Authorised capital increase w.e.f. 15/03/2008.	07.04.08	Yes	No

DIRECTORS' REPORT

To,
The Members of
KANANI INDUSTRIES LIMITED

Your Directors present the **Twenty-Fifth Annual Report** together with the Audited Statement of Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS:

The Financial Results for the year ended March 31, 2008 are summarized below:

(Amt. in Rs. Lacs)

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Sales	1432.44	25.29
Other Income	-	0.12
Total Income	1432.44	25.41
Expenditure [before depreciation]	992.78	28.14
Profit before Dep. & Tax	439.66	(2.73)
Less: Depreciation	0.06	-
Profit(Loss) before Tax	439.60	(2.73)
Less: Provision for Tax	-	-
Fringe Benefit Tax	0.007	-
Profit(Loss) after Tax	439.59	(2.73)
Profit/(Loss) brought forward	(4.97)	(2.24)
Profit available for appropriation	434.62	(4.97)
Proposed Dividend	1.24	-
Corporate Dividend Tax	0.21	-
Surplus carried to Balance Sheet	433.17	(4.97)

DIVIDEND:

The Directors are pleased to recommend a dividend @ 5% for the financial year 2007-2008.

PERFORMANCE:

Your company is engaged in the trading activities and during the year under review, your Directors are pleased to inform the Members that the Company has posted Total Income of Rs.1432.44 Lacs as against Total Income of Rs. 25.41 Lacs in the corresponding previous year. Net Profit after Tax for the year under review was Rs.439.58 Lacs as against Net Loss Rs.02.73 Lacs in the corresponding previous year.

During the current year 2008-2009, the Company has successfully come out with preferential issue of 12,50,000/- equity shares of Rs. 10/- each at a premium of Rs. 25/- per equity share, which were listed on Bombay Stock Exchange Limited on 10/06/2008.

CORPORATE GOVERNANCE:

In terms of Clause 49 of Listing Agreement with Stock Exchanges, a compliance report on Corporate Governance is not applicable to your Company.

AUDITORS:

M/s. Ravi & Dev, Chartered Accountants, Mumbai, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting. The members are requested to appoint auditors and to fix their remuneration.

DIRECTORS:

During the year under review, Mr. Gautam Parekh and Mr. Shailesh Patel, Directors of the Company retire by rotation and being eligible offer themselves for reappointment at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibilities Statement, it is hereby confirmed:-

- i) that in the preparation of the annual accounts for the year 2007-08, the applicable accounting standards have been followed and there are no material departures;
- ii) that 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 statement at the end of the financial year and of the loss of the
- iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the Provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the Annual Accounts of the company on a going concern basis

FIXED DEPOSITS:

The Company has not accepted any loans or deposits from public in contravention of Section 58A of the Companies Act, 1956, and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

THE COMPANIES (PARTICULARS OF EMPLOYEES) RULE 1975 AS AMENDED:

The Company has no employees of the specified categories under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO:

As the Company does not have any manufacturing activities, particulars required in term to be disclosed with respect to the conservation of energy and technology in term of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1998 are not applicable. Further the details regarding foreign exchange earnings and outgo are given in Note Nos. 3 to 6 under Schedule 'K' i.e. Significant Accounting Policies of the Notes to Accounts.

SECRETARIAL COMPLIANCE CERTIFICATE:

The Secretarial Compliance Certificate as per provisions of Section 383A of the Companies Act, 1956 as issued by Practicing Company Secretary is annexed to this Report.

ACKNOWLEDGEMENT:

Your Directors records their appreciation for the full co-operation received from the Financial Institutions, Banks, other agencies and departments.

**For and On behalf of the
Board of Directors**

**SD/-
PREMJIBHAI D. KANANI
CHAIRMAN.**

**Place: Mumbai
Date: 11/06/2008**

REGISTERED OFFICE:

**G/6, PRASAD CHAMBERS,
TATA ROAD NO.2, OPERA HOUSE,
MUMBAI: 400004.**

AUDITORS' REPORT

To the Members

KANANI INDUSTRIES LIMITED

Mumbai

We have audited the attached balance sheet of Kanani industries Limited as at 31st March, 2008 And Both Accounts Profit & Loss Account And Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of sub-section 4A of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in the paragraph (1) above :
 - (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 the law have been maintained by the company so far as appears from our examination of such books.
 - (c) The balance sheet and the profit & loss account are in agreement with the books of account;
 - (d) in our opinion, the profit & loss Account and the balance sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors of the company and taken on record by the Board of Directors, we report that none of the directors of the company is disqualified from being appointed as a director under clause (g) of sub-section(1) of section 274 of the companies Act,1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, give the information required under the Companies Act, 1956 in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India :

- i. in the case of balance sheet, of the state of affairs as at 31st March, 2008;
and
- ii. in the case of profit and loss account, of the profit for the year ended on
that date.

For RAVI & DEV

Chartered Accountants

SD/-

(DEVENDRA A. MEHTA)

Partner

Mumbai

11 June, 2008

BALANCE SHEET AS ON 31st MARCH, 2008

	<u>Sch.</u>	2008 <u>Rs.</u>	2007 <u>Rs.</u>
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	A	2,490,000	2,490,000
b. Reserves & Surplus	B	44,977,084	1,164,100
		47,467,084	3,654,100
2. Loan Funds			
a. Secured Loans		-	-
b. Unsecured Loans	C	4,021,735	21,735
		4,021,735	21,735
TOTAL		51,488,819	3,675,835
II. APPLICATION OF FUNDS			
1. Fixed Capital Expenditure			
a. Fixed Assets			
Gross Block	D	4,866,754	-
<u>Less:</u> Depreciation		5,942	-
Net Block		4,860,812	-
b. Capital Work in Progress			
Building under Construction		2,051,885	-
		2,051,885	-
		6,912,697	-
2. Current Assets, Loans & Advances			
a. Inventory	E	44,182,599	-
b. Sundry Debtors		141,251,977	3,747,238
c. Cash & Bank balances		935,795	1,095
d. Loans & Advances		186,726	-
<u>Less:</u> Current Liabilities & Provisions	F	(141,980,975)	(72,498)
		44,576,122	3,675,835
TOTAL		51,488,819	3,675,835
		-	-
Notes to Accounts	K		

date attached.

for **RAVI & DEV**
Chartered Accountants

SD/-
(Devendra Mehta)
Partner
Mumbai
11 June, 2008

SD/-
HARSHIL P. KANANI
MANAGING DIRECTOR

SD/-
PREMJI KANANI
CHAIRMAN
Mumbai
11 June, 2008

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

	2008	2007
	<u>Rs.</u>	<u>Rs.</u>
I. <u>INCOME</u>		
Sales	143,244,021	2,529,372
Other Income	-	11,706
TOTAL	143,244,021	2,541,078
 II. <u>EXPENDITURE</u>		
Material Consumed	97,206,608	2,457,841
Manufacturing Expenses G	435,611	-
Payment to Employees	273,000	7,000
Administrative Expenses H	1,171,364	118,456
Selling & Distribution Expenses I	56,150	-
Financial Expenses J	136,003	230,341
Depreciation	5,942	-
TOTAL	99,284,678	2,813,638
Profit for the year before taxes	43,959,343	(272,560)
<u>Provision for</u>		
<u>Less : taxes</u>		
Current Taxes	-	-
Fringe Benefit Tax	(700)	-
Profit for the year	43,958,643	(272,560)
Profit/(Loss) brought		
<u>Add : forward</u>	(496,927)	(224,367)
Profit available for appropriation	43,461,716	(496,927)
 APPROPRIATIONS		
Proposed Dividend	124,500	-
Corporate Dividend Tax	21,159	-
Surplus carried to Balance sheet	43,316,057	(496,927)
	43,461,716	(496,927)
 Basic & Diluted Earning per Share	176.54	(1.09)

Notes to Accounts**K**

In terms of our report of even date attached.

For & on behalf of Board of Directors

for **RAVI & DEV**
Chartered Accountants

SD/-
HARSHIL P. KANANI
Managing Director

SD/-
(Devendra Mehta)
Partner

SD/-
PREMJI KANANI
Chairman

Mumbai
11 June, 2008

Mumbai
11 June, 2008

	2008	2007
	<u>Rs.</u>	<u>Rs.</u>
<u>SCHEDULE 'A' :</u>		
<u>Authorised</u>		
15000000 (Previous Year : 1500000) Equity shares of Rs. 10 each.	150,000,000	15,000,000
<u>Issued, subscribed & paid-up</u>		
249000 (Previous Year : 249000) Equity shares of Rs. 10 each.	2,490,000	2,490,000
	2,490,000	2,490,000
<u>SCHEDULE 'B' : RESERVE & SURPLUS</u>		
General Reserve	1,661,027	1,661,027
Profit & Loss Account	43,316,057	(496,927)
	44,977,084	1,164,100
<u>SCHEDULE 'C' : UNSECURED LOANS</u>		
Intercorporate Loans	4,021,735	21,735
	4,021,735	21,735
<u>SCHEDULE 'E' : CURRENT ASSETS, LOANS & ADVANCES</u>		
<u>1. Current Assets</u>		
a. <i>Inventory</i>		
(As valued and certified by the management)		
(Valued at lower of cost or net realisable value)		
Bullion	55,415	-
Diamonds	44,127,184	-
	44,182,599	-
b. <i>Sundry Debtors</i>		
(Unsecured & considered good)		
i. Over six months	-	-
ii. Others	141,251,977	3,747,238
	141,251,977	3,747,238
c. <i>Cash & Bank balances</i>		
Bank balances with Scheduled banks in Current accounts	930,586	-
Cash	5,209	1,095
	935,795	1,095
	186,370,371	3,748,333
<u>2. Loans & Advances</u>		
(Unsecured & considered good)		
Advances recoverable in cash or in cash or in kind or for value to be received	186,726	-
	186,726	-
	186,557,097	3,748,333

SCHEDULE 'F' : CURRENT LIABILITIES & PROVISIONS**1. Current Liabilities**

a. Sundry Creditors	141,451,641	-
b. Outstanding Liabilities	382,975	72,498
	141,834,616	72,498

2. Provisions

Provision for Fringe Benefit tax	700	-
Proposed Dividend	124,500	-
Provision for Corporate Dividend Tax	21,159	-
	146,359	-
	141,980,975	72,498

SCHEDULE 'G' : MANUFACTURING EXPENSES

Power & Fuel	8,189	-
Stores & Consumables	42,469	-
Wages	270,000	-
Factory Rent	42,000	-
Machinery Rent	59,550	-
Water Charges	13,403	-
	435,611	-

SCHEDULE 'H' : ADMINISTRATIVE EXPENSES

Audit fee	50,000	15,000
Service Tax	6,180	1,854
Telephone Expenses	2,626	-
Advertisement Expenses	19,477	17,546
ROC & Filing Fees	952,000	10,261
Miscellaneous Expenses	141,081	73,795
	1,171,364	118,456

SCHEDULE 'I' : SELLING & DISTRIBUTION EXPENSES

Travelling & Conveyance Expenses	9,273	-
Clearing & Forwarding Charges	29,852	-
Service Charges on Export	17,025	-
	56,150	-

SCHEDULE 'J' : FINANCIAL EXPENSES

Interest on TDS	123,624	226,007
Bank Charges	12,379	4,334
	136,003	230,341

SCHEDULE 'D' : FIXED ASSETS

Name of the assets	<-----GROSS BLOCK----->				<-----DEPRECIATION----->				<-----NET BLOCK----->	
	As on	Additions	Sale	Total	Rate	As on	Written	Total	As on	As on
	01.04.2007	during the year			%	01.04.2007	Off Back during the year		31.03.2008	31.03.2007
Land	-	4,700,000	-	4,700,000	-	-	-	-	4,700,000	-
Plant & Machinery	-	25,000	-	25,000	13.91	-	829	829	24,171	-
Office Equipment	-	90,550	-	90,550	13.91	-	2,070	2,070	88,480	-
Computer	-	51,204	-	51,204	40.00	-	3,043	3,043	48,161	-
	-	4,866,754	-	4,866,754		-	5,942	5,942	4,860,812	-
PREVIOUS YEAR TOTAL	-	-	-	-		-	-	-	-	-

SCHEDULE 'K' : NOTES TO ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES**

I. The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the requirements of the Companies Act, 1956 and accounting standards applicable in India.

II. All items of income and expenditure are accounted for on accrual basis. However, gratuity is being accounted for on cash basis as the Company has not got actuarial valuation done of its total future liabilities for its employees on account of gratuity.

III. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties and other incidental expenses incurred during construction period and exclusive of CENVAT credited.

The assets acquired on hire purchase basis are stated at their cash value. The interest paid with the installments is being charged to the revenue.

IV. Depreciation

Depreciation of Fixed Assets has been provided on written down value method at the rates provided under the Companies Act, 1956 on pro-rata basis.

V. Closing Stock

i. Raw materials are valued at cost.

ii. Finished Goods are stated at lower of the cost or net realisable value.

iii. Stores items purchased are treated as consumed in the year of purchase.

VI. Sales-tax collected by the company is not treated as part of its income.

Taxes on**VII. income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

VIII. Preliminary/Public issue expenses are written off over a period of 10 years.

IX. Contingent Liability

Contingent Liability, if any, are generally not provided for in the accounts and are shown separately as a note to the accounts.

2. In the opinion of the management, Current Assets and Loans & Advances are approximately of the value stated if realised in the ordinary course of the business. The provision for all the liabilities is, in the opinion of the management, adequate and not in excess of the amount reasonably necessary.

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)

	2008	2007
	Rs.	Rs.
3. Expenditure in Foreign Currency Foreign Traveling Expenses	-	-
4. C. I. F. Value of Imports		
5. Earning in Foreign Currency	143,244,021	NIL
6. F.O.B. Value of Exports	143,244,021	NIL
7. <u>Auditors' Remuneration</u>		
Audit Fee	35,000	15,000
Tax Audit Fee	15,000	-
	50,000	15,000
8. Directors' Remuneration	225,000	-
9. Disclosures as required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India are as follows :		
a) Names of related parties and nature of relationship where control exists :		
<u>Key Management Personnel</u>		
Harshil P. Kanani		
Vinu L. Kanani		
Premji D. Kanani		
<u>Enterprises where key management personnel have control and where transactions have taken place</u>		
Star Diam		
b) <u>Transactions and balances with related parties</u>		
Rent	101,550	
c) <u>Balances at the year end</u>		
Payables	258,850	
10. <u>LEASE ACCOUNTING (AS PER ACCOUNTING STANDARD - 19)</u>		
As Lessee :-		
The total future minimum lease Premises rent payable at the balance sheet date		
Not later than 1 year :	126,000	-
Later than 1 year but not later than 5 years :	-	-
Later than 5 years :	-	-
The total future minimum lease Machinery rent payable at the balance sheet date		
Not later than 1 year :	178,650	-
Later than 1 year but not later than 5 years :	-	-
Later than 5 years :	-	-

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)

11. The company has only one reportable segment i.e. Studded Jewellery, therefore no separate information is being given under Accounting Standard - AS 17 "Segment Reporting".
12. The Company is trying to ascertain the enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Based on the details regarding the status of the suppliers, to the extent obtained, no supplier is covered under the Act.
13. Quantitative information pursuant to Part II of Schedule VI of the Companies Act, 1956

			<u>2008</u>		<u>2007</u>	
	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>	<u>Quantity</u>	<u>Amount</u>	
			Rs.			Rs.
a)	<u>Manufactured Goods</u>					
	OPENING STOCK					
	<u>Raw Material</u>					
	Bullion	Gms	-	-	-	-
	Diamonds	Cts.	-	-	-	-
	CLOSING STOCK					
	<u>Raw Material</u>					
	Bullion	Gms	2,310.96	55,415	-	-
	Diamonds	Cts.	1,926.98	44,127,184	-	-
	CONSUMPTION					
	Bullion	Gms	892.03	17,212	-	-
	Diamonds	Cts.	3,884.31	97,189,396		
	SALES					
	Studded Jewellery	Nos.	52.00	143,244,021		
	MANUFACTURING/PRODUCTION					
	Studded Jewellery	Nos.	52.00			
b)	<u>Traded Goods</u>					
	<u>Opening Stock</u>					
	Copper Wire	M.T.	-	-	-	-
	Iron Steel	M.T.	-	-	-	-
	<u>Purchases</u>					
	Copper Wire	M.T.	-	-	4.60	1,245,261
	Iron Steel	M.T.	-	-	8.99	1,212,580
	<u>Sales</u>					

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)

Copper Wire	M.T.	-	-	4.60	1,284,479
Iron Steel	M.T.	-	-	8.99	1,244,893
<u>Closing Stock</u>					
Copper Wire	M.T.	-	-	-	-
Iron Steel	M.T.	-	-	-	-

14. Value of imported & indigenous material consumed :

	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>
		<u>Rs.</u>		<u>Rs.</u>
Raw Material				
Indigenous	0.02	17,212	-	-
Imported	99.98	97,189,396	-	-
Stores & Spares				
Indigenous	100	42,469	-	-
Imported	-	-	-	-

15. **Basic & Diluted Earning per Share (Face Value : Rs.10/- each)**

Profit after tax as per Profit & Loss Account	43,958,643	(272,560)
Weighted average number of shares outstanding	249,000	249,000
Basic & Diluted earning per share in Rupees	176.54	(1.09)

16. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profiles1. Registration Details

Registration No	29598	State Code	11
Balance Sheet Date	31.03.2008		

2. Capital raised during the year (Amount in Rupeesthousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds :

Total Liabilities	51489	Total Assets	51489
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Sources of Funds

Paid up Capital	2490	Reserves & Surplus	44977
Share Application Money	NIL	Deferred Tax Liability	NIL
Secured Loans	NIL	Unsecured Loans	4022

Application of Funds

Net Fixed Assets	4861	Investments	NIL
Capital Work-in-progress	2052		
Net Current Assets	44576	Misc. Expenditure	NIL

4. **Performance of Company :**

Turnover & other income	143244	Total Expenditure	99285
Profit/(Loss) Before Taxes	43959	Profit/(Loss) After Taxes	43959
Earning per share	176.54	Dividend Rate	NIL

5. **Generic names of principal products/services of the Company**

Item code (ITC Code)	71131120
Production description	Jewellery

17. The figures of the previous year have been regrouped/reclassified/recasted to conform to the current year's classification.

18. Figures have been rounded off to the nearest of a rupee.

Signature to Schedule 'A' to 'K'

In terms of our report of even date

For & on behalf of Board of Directors

For **Ravi & Dev**
Chartered Accountants

SD/-
HARSHIL P. KANANI
MANAGING DIRECTOR

SD/-
(Devendra A. Mehta)
Partner

SD/-
PREMJI KANANI
CHAIRMAN

Mumbai
11 June, 2008

Mumbai
11 June, 2008

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2009

CASH FLOW STATEMENT

	<u>2008</u>	<u>2007</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	43,959,343	(272,560)
Adjustments for		
Depreciation	5,942	
Income-tax	-	-
Adjustments for Working Capital Changes		
Inventories	(44,182,599)	-
Trade & Other receivables	(137,691,465)	3,015,804
Trade Payables	141,762,118	(2,789,838)
<i>Cash Generated from Operations</i> (a)	3,853,339	(46,594)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,866,754)	-
Capital Work in Progress	(2,051,885)	-
<i>Cash Utilised in Investing Activities</i> (b)	(6,918,639)	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	4,000,000	21,735
Interest	-	-
Dividend	-	-
<i>Cash Generated from Financing Activities</i> (c)	4,000,000	21,735
 NET INCREASE IN CASH AND CASH EQUIVALENTS (a+b+c)	 934,700	 (24,859)
CASH & CASH EQUIVALENTS AS AT 1st APRIL (OPENING BALANCE)	1,095	25,954
CASH & CASH EQUIVALENTS AS AT 31st MARCH (CLOSING BALANCE)	935,795	1,095

For RAVI & DEV
Chartered Accountants

(DEVENDRA MEHTA)
Partner
Membership No.82325

Mumbai
11 June, 2008

For KANANI INDUSTRIES LIMITED

HARSHIL P. KANANI MANAGING DIRECTOR

PREMJI KANANI CHAIRMAN

Mumbai
11 June, 2008

AUDITORS' CERTIFICATE

We have verified the attached Cash Flow Statement of Kanani Industries Limited, derived from audited financial Statements and the books and records maintained by the company for the year ended 31st March, 2008 and 31st March, 2007 and found the same in agreement therewith.

For RAVI & DEV
Chartered Accountants

SD/-
(DEVENDRA MEHTA)
Partner

Mumbai
11 June, 2008