

AUDITORS' REPORT

TO THE MEMBERS OF REFLEXION TRADING PRIVATE LIMITED

We have audited the attached Balance Sheet of **REFLEXION TRADING PRIVATE LIMITED** as on 31st March 2012 & Statement of Profit and Loss 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, 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 purpose of our audit.

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

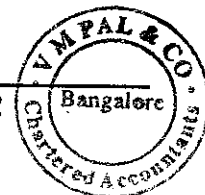
The said Balance Sheet and Statement of Profit and Loss and the Cash flow statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the Statement of Profit and Loss and Cash flow statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of the written representations received from the directors as at 31st March 2012 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the companies act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of balance sheet of the state of affairs of the company as at 31st March, 2012,
- b. In the case of Statement of Profit and Loss, of the profit of the company for the year ended on that date, and



c. in the case of Cash flow statement, of the cash flows of the company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 as amended by the companies (auditors report) (amended) 2004 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

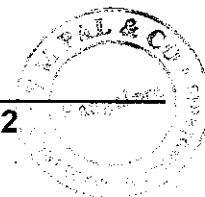
- i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets, *but the location details are in process of being updated for certain fixed assets.*
- ii) The fixed assets have been physically verified by the management at reasonable intervals. The reconciliation between the physical and book balance is in the process of reconciliation.
- iii) No substantial parts of the Fixed Assets have been disposed during the year.
- iv) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- v) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- vi) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vii) The Company had taken an unsecured loan of Rs.13,000,000, during the previous year, from a fellow subsidiary company covered in the register maintained under section 301 of the companies Act 1956. The maximum amount outstanding during the year was Rs.13,000,000. The same has been repaid during the year. The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- viii) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- ix) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods and services. During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.



- x) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under the act.
- xi) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the companies Act 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- xii) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA or any relevant provisions of the companies Act, 1956.
- xiii) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, service tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- xiv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty service tax and cess were in arrears as at 31.03.2012 for a period of more than six months from the date they became payable.
- xv) According to the records of the company, the dues outstanding of Provident fund on account of dispute is as follows:

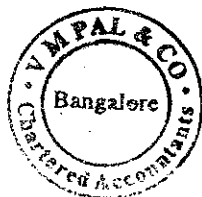
Nature of statute	Nature of dues	Amount	Period to which the amount relates	Forum where dispute is pending
The employees Provident funds and Misc provision act, 1952	PF dues	81,288	April 2005-2008	High court of New Delhi

- xvi) The Company is not having any accumulated losses nor has the company incurred any cash loss for this year and in the immediately preceding financial year.
- xvii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xviii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.
- xix) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.



- xx) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xxi) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xxii) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year company has not made any investments.
- xxiii) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxiv) The company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xxv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment.
- xxvi) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the registers maintained under section 301 of the act.
- xxvii) According to the information and explanations given to us, during the year covered by our report, the company has not issued any debentures and therefore no securities or charges have been created.
- xxviii) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxix) We have not noticed any fraud on or by the company during the year.
- xxx) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

Place: Bangalore
Dated: May 7th, 2012



FOR V. M. PAL & CO.
Firm Regn. No.09075S
Chartered Accountants

A. V. PAL
Partner.
(Membership No: 37316)

REFLEXION TRADING PRIVATE LIMITED

Balance Sheet as at 31 March 2012

All amounts in Indian Rupees, except stated otherwise

	Notes	31 March 2012	31 March 2011
<u>EQUITY AND LIABILITIES</u>			
Shareholder's funds			
Share Capital	3	100,000	100,000
Reserves and Surplus	4	1,101,633	900,893
		1,201,633	1,000,893
Non- current liabilities			
Long-term borrowings		-	-
Long-term Provisions	5	6,194,390	4,905,123
Deferred tax liability		-	17,294
		6,194,390	4,922,417
Current Liabilities			
Short term borrowings	6	-	13,000,000
Trade payables	7	734,397	1,293,796
Other current liabilities	7	26,952,548	16,448,120
Short term provisions	5	407,371	504,681
		28,094,316	31,246,597
TOTAL		35,490,339	37,169,907
<u>ASSETS</u>			
Non-current assets			
Fixed assets	8		
Tangible assets		6,293,751	7,947,544
Intangible assets		-	-
Capital work-in-progress		-	-
		6,293,751	7,947,544
Non-current investments	9	3,000	3,000
Long-term loans and advances	10	10,826,299	10,801,913
Other non-current assets		-	-
		17,123,050	18,752,457
Current assets			
Current investments		-	-
Inventories	11	8,957,172	8,693,608
Trade receivables	12	1,058,070	176,450
Cash and Cash equivalents	13	2,057,790	1,212,046
Short-term loans and advances	10	6,294,257	8,335,346
Other current assets		-	-
		18,367,289	18,417,450
TOTAL		35,490,339	37,169,907

Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

As per our report of even date

As per our report of even date

For V. M. PAL & Co.,

Firm Regn. No. 090755

Chartered Accountants

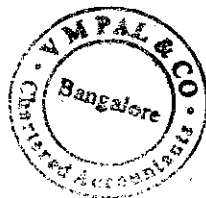
A. V. PAL

Partner

(Membership No.37316)

Place : Bangalore

Date : 7th May 2012

For and on behalf of the Board
For REFLEXION TRADING PRIVATE LIMITEDGautam Chakravarti
DirectorSumit Keshan
Director

REFLEXION TRADING PRIVATE LIMITED**Statement of profit and loss for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	Notes	31 March 2012	31 March 2011
Revenue from operations	14		
(a) Sales (gross)		56,892,601	32,476,291
Less: Excise duty		8,192,842	5,354,751
Sales (net)		48,699,759	27,121,540
(b) Other operating income		105,259,334	110,581,686
Revenue from operations		153,959,093	137,703,226
Other income	15	70,297	132,250
Total Revenue		154,029,390	137,835,476
Expenses			
Cost of materials consumed	16	28,724,569	15,810,634
(Increase) / decrease in inventories	17	(1,075,675)	(439,241)
Employee benefits expense	18	100,748,238	104,860,798
Other expenses	19	21,576,365	16,032,547
Depreciation and amortisation expense	20	1,640,714	1,473,204
Finance costs	21	1,429,386	81,491
Total Expenses		153,043,597	137,819,433
Profit / (Loss) before extraordinary items and tax		985,793	16,043
Extraordinary items		-	-
Profit(Loss) before tax		985,793	16,043
Tax expense:			
Current tax		760,046	-
Tax of earlier years (net)		42,301	679,718
Deferred tax charge / (credit)		(17,294)	(32,549)
		785,053	647,169
profit(Loss) for the period		200,740	(631,127)
Earnings per equity share - (Nominal value per share - Rs.10) :			
Basic		20.07	(63.11)
Diluted		20.07	(63.11)

Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

As per our report of even date**For V. M. PAL & Co.,****Firm Regn. No. 09075S**

Chartered Accountants

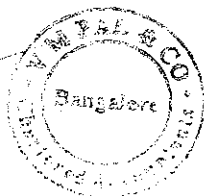
A. V. PAL

Partner

(Membership No.37316)

Place : Bangalore

Date : 7th May 2012

**For and on behalf of the Board**
For REFLEXION TRADING PRIVATE LIMITED
Gautam Chakravarti
Director
Sumit Keshan
Director

REFLEXION TRADING PRIVATE LIMITED**Notes to financial statements for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise***3 Share Capital****31 March 2012 31 March 2011**Authorised shares

10,000 (2011:10,000) Equity Shares of Rs. 10 each

100,000 100,000

100,000 100,000Issued, subscribed and fully paid-up

10,000 (2011:10,000) Equity Shares of Rs. 10 each fully paid-up

100,000 100,000

100,000 100,000**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares	31 March 2012		31 March 2011	
	No.	Amount	No.	Amount
At the beginning of the period	10,000	100,000	10,000	100,000
Issued during the period	-	-	-	-
Outstanding at the end of the period	10,000	100,000	10,000	100,000

b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholder in ensuing Annual General meeting.

In event of liquidation of the Company, the holders of equity shares would be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

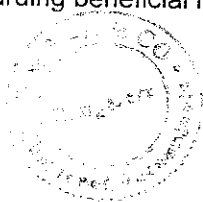
(c) Shares held by holding/ ultimate holding Company and/ or their subsidiaries/ associates

	31 March 2012 Amount	31 March 2011 Amount
Holding Company : Gokaldas Exports Ltd.,	100,000	100,000

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares	31 March 2012		31 March 2011	
	No.	shareholding %	No.	shareholding %
Equity shares of Rs.10 each fully paid Gokaldas Exports Ltd.,	10,000	100.00%	10,000	100.00%

As per records of the Company, including its register of shareholders/ members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.



REFLEXION TRADING PRIVATE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH, 31, 2012

8 Tangible assets

	Building	Improvement on lease hold rights	Electrical Equipments	Office Equipments	Furniture & Fixtures	Plant & Machinery	Computers	Vehicle	Total
<i>Cost or valuation</i>									
At 1 April 2010	1,678,809	500,000	2,456,950	331,763	1,813,490	11,456,900	3,624	845,271	19,086,807
Additions									-
Other adjustments									-
(A)	1,678,809	500,000	2,456,950	331,763	1,813,490	11,456,900	3,624	845,271	19,086,807
Disposals								79,401	79,401
(B)	1,678,809	500,000	2,456,950	331,763	1,813,490	11,456,900	3,624	765,870	19,007,406
At 31 March 2011 (A)-(B)									
Additions									
Other adjustments									
(C)	1,678,809	500,000	2,456,950	331,763	1,813,490	11,456,900	3,624	765,870	19,007,406
Disposals								79,401	79,401
(D)	1,678,809	500,000	2,456,950	331,763	1,813,490	11,456,900	3,624	686,469	18,928,005
At 31 March 2012 (C)-(D)									
Depreciation									
At 1 April 2010	691,283	95,666	1,199,195	123,771	981,018	5,897,726	3,342	656,307	9,648,308
Charge for the year	98,753	202,167	170,050	20,521	155,581	781,692	113	44,327	1,473,204
Disposals								61,650	61,650
At 31 March 2011	790,036	297,833	1,369,245	144,292	1,136,599	6,679,418	3,455	638,984	11,059,862
Charge for the year	646,554		150,618	17,667	123,405	672,958	68	29,445	1,640,714
Disposals								66,321	66,321
At 31 March 2012	1,436,590	297,833	1,519,863	161,959	1,260,004	7,352,376	3,523	602,108	12,634,254
Net Block									

At 31 March 2011	888,773	202,167	1,087,705	187,471	676,891	4,777,482	169	126,886	7,947,544
At 31 March 2012	242,219	202,167	937,087	169,804	553,486	4,104,524	101	84,362	6,293,751

4 Reserves and Surplus

31 March 2012 **31 March 2011**

Surplus / (deficit) in the statement of profit and loss

Balance as per last financial statements	900,893	1,532,020
Profit / (loss) for the year	200,740	(631,127)
Net surplus / (deficit) in the statement of profit and loss	1,101,633	900,893

5 Provisions

	Long Term		Short term	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Provision for employee benefits				
Provision for gratuity	4,548,424	3,274,936	187,653	296,437
Provision for leave benefits	1,645,966	1,630,187	219,718	208,244
	6,194,390	4,905,123	407,371	504,681

6 Short-term borrowings

31 March 2012 **31 March 2011**

Loans repayable on demand from Fellow Subsidiary		
SNS Clothing Private Limited	-	13,000,000
	-	13,000,000

7 Trade payables and Other Current Liabilities

31 March 2012 **31 March 2011**

Trade Payables

to Micro and Small Enterprises		
to Others	734,397	1,293,796
	734,397	1,293,796

Other current liabilities

Employees benefit payable	12,838,527	11,363,255
Other expenses payable	2,580,431	990,544
Due to Holding Company	9,672,611	2,412,596
Due to fellow subsidiaries	352,082	130,644
ESI payable	326,363	370,611
Provident fund payable	970,943	1,058,547
TDS payable	186,328	106,392
VAT & CST payable	15,063	2,181
Professional tax payable	10,200	13,350

26,952,548 **16,448,120**

27,686,945 **17,741,916**



9 Non-current investments**31 March 2012 31 March 2011****Non Trade investments [valued at cost unless stated otherwise]**

Investment in Government Securities (unquoted)

National Savings Certificate

3,000 3,000**3,000 3,000****10 Loans and advances**

(unsecured, considered good)

Non-current**Current****31 March 2012 31 March 2011 31 March 2012 31 March 2011**

Security deposits

10,826,299 10,801,913

Due from fellow subsidiaries

71,752 -

Advances recoverable in cash / kind

420,593 271,633

Advance Tax (Net of Provisions)

5,163,735 7,283,681

Prepaid expenses.

163,186 100,660

Loans and advances to employees

67,067 15,308

Balance with government authorities

407,924 664,064**10,826,299 10,801,913 6,294,257 8,335,346****11 Inventories****31 March 2012 31 March 2011**

[Valued at lower of cost and net realisable value]

Raw Materials

7,442,256 8,254,367

Finished goods

1,514,916 439,241**8,957,172 8,693,608****12 Trade Receivables**

(unsecured, considered good)

Non-current**Current****31 March 2012 31 March 2011 31 March 2012 31 March 2011**

- Outstanding for a period exceeding six months

from the date they are due for payment

- Other receivables

1,058,070 176,450**1,058,070 176,450****13 Cash and bank balances****Non-current****Current****31 March 2012 31 March 2011 31 March 2012 31 March 2011****Cash and cash equivalents**

Balance with banks :

-- in Current accounts

1,023,657 527,803

Cash on hand

1,034,133 684,243**2,057,790 1,212,046**

REFLEXION TRADING PRIVATE LIMITED**Notes to financial statements for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	<u>31 March 2012</u>	<u>31 March 2011</u>
14 Revenue from operations		
Sale of products		
(a) Finished goods		
-- Exports	335,395	-
-- Domestic	56,557,206	32,476,291
	<u>56,892,601</u>	<u>32,476,291</u>
(b) Other operating revenue		
Contract Receipts	105,259,334	110,581,686
Revenue from operations (gross)	162,151,935	143,057,977
Less: Excise duty	8,192,842	5,354,751
Revenue from operations (net)	153,959,093	137,703,226
 <u>Details of Products Sold</u>		
Finished goods (Poly Wadding) sold		
Manufactured	56,892,601	32,476,291
	<u>56,892,601</u>	<u>32,476,291</u>
 15 Other Income		
Interest earned on bank securities	666	-
Interest earned on other advances	5,449	-
Net gain on sale of fixed assets	16,921	107,250
Duty drawback earned	18,680	-
Other non-operating income	28,581	25,000
	<u>70,297</u>	<u>132,250</u>
 16 Cost of raw materials consumed		
Inventory at the beginning of the year	8,254,366	4,065,545
Add: Purchases	27,912,457	19,560,215
	<u>36,166,823</u>	<u>23,625,760</u>
Less: inventory at the end of the year	7,442,256	8,254,366
Cost of raw materials consumed	28,724,569	15,371,393
 <u>Details of raw materials consumed</u>		
Fiber & Resin	28,724,569	15,371,393
	<u>28,724,569</u>	<u>15,371,393</u>
 <u>Details of inventory</u>		
Fiber & Resin	7,442,256	8,254,366
	<u>7,442,256</u>	<u>8,254,366</u>



17 (Increase) / decrease in inventories	31 March 2012	31 March 2011	(increase)/ decrease
Inventories at the end of the year			
Finished goods	1,514,916	439,241	(1,075,675)
Work-in-progress			-
	<u>1,514,916</u>	<u>439,241</u>	<u>(1,075,675)</u>
Inventories at the beginning of the year			
Finished goods	439,241	-	(439,241)
Work-in-progress	-	-	-
	<u>439,241</u>	<u>-</u>	<u>(439,241)</u>

	31 March 2012	31 March 2011
18 Employee benefits expense		
Salaries, wages and bonus	86,713,743	90,778,031
Contribution to provident fund and other fund	10,037,624	10,786,839
Gratuity expense	3,831,636	3,044,266
Staff welfare expenses	165,235	251,662
	<u>100,748,238</u>	<u>104,860,798</u>

19 Other expenses		
Power and fuel	2,849,036	2,880,071
Job work charges	26,254	-
Other manufacturing expenses	89,990	115,996
Repairs and maintenance		
- Plant and machinery	1,491,554	1,696,976
- Buildings	279,377	461,400
- Others	425,161	1,545,440
Rent	13,635,426	6,560,745
Insurance	32,398	41,995
Rates and taxes	155,708	179,955
Legal and professional charges	265,970	632,245
Printing and stationery	3,669	33,187
Travelling and conveyance	487,876	348,205
Payment to auditors	39,708	39,708
Clearing, forwarding and freight (net of recoveries)	27,611	-
Exchange differences (net)	305,786	43,656
Other Miscellaneous expenses	1,460,841	1,452,968
	<u>21,576,365</u>	<u>16,032,547</u>

Payment to auditor

As Auditor		
Audit fees	39,708	39,708
	<u>39,708</u>	<u>39,708</u>

20 Depreciation and amortisation expense

Depreciation on tangible assets

1,640,714

1,473,204

1,640,714

1,473,204

21 Finance costs

Bank charges

136,509

52,998

Interest on others

1,292,877

28,493

1,429,386

81,491



REFLEXION TRADING PRIVATE LIMITED

Cash-flow statement for the year ended 31 March 2012

All amounts in Indian Rupees, except stated otherwise

PARTICULARS	2012	2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax from continuing operations	985,793	16,043
Loss before tax	985,793	16,043
Non-cash adjustment to reconcile profit before tax to net cash flow		
Depreciation/amortization on continuing operations	1,640,714	1,473,204
Interest expense	1,292,877	28,493
Interest earned	(6,115)	-
Operating Profit before working capital changes	3,913,269	1,517,739
Movements in Working Capital :		
(Increase)/Decrease in inventories	(263,564)	(4,628,062)
(Increase)/Decrease in trade receivables	(881,620)	(64,858)
(Increase)/Decrease in non current loans and advances	(24,386)	
(Increase)/Decrease in current loans and advances	(78,857)	378,824
Increase/(Decrease) in trade payables	(559,400)	(206,395)
Increase/(Decrease) in other current liabilities	10,504,428	(13,113,036)
Increase/(Decrease) in short term borrowings	(13,000,000)	13,000,000
Increase/(Decrease) in long term provisions	1,289,267	2,176,204
Increase/(Decrease) in short term provisions	(97,310)	(45,401)
Cash Generated from /(used in) Operations	801,828	(984,985)
Direct taxes paid (net of refunds)	1,317,599	(903,278)
Net Cash Flow from Operating Activities	2,119,427	(1,888,263)
Net Cash Flow from/(used in) Operating Activities after Extraordinary item	2,119,427	(1,888,263)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	6,115	-
Proceeds from Sale of Fixed Assets	13,079	17,751
Net Cash Flow from / (used in) Investing Activities	19,194	17,751
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest paid	(1,292,877)	(28,493)
Net Cash Flow from / (used in) Financing Activities	(1,292,877)	(28,493)
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	845,744	(1,899,005)
E. Opening Balance of Cash & Cash Equivalents	1,212,046	3,111,051
F. Closing Balance of Cash & Cash Equivalents	2,057,790	1,212,046
Components of Cash and Cash Equivalents		
Cash on hand	1,034,133	684,243
Bank Balances with Scheduled Banks:		
— in Current Accounts	1,023,657	527,803
	2,057,790	1,212,046
	2,057,790	1,212,046

As per our report of even date

For V. M. PAL & Co.,
Firm Regn. No. 09075S
Chartered Accountants

For and on behalf of the Board
For REFLEXION TRADING PRIVATE LIMITED

Gautam Chakravarti Sumit Keshan
Director Director

Place : Bangalore
Date : 7th May 2012

A. V. PAL
Partner
(Membership No.37316)

REFLEXION TRADING PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

1. Corporate Information:

Reflexion Trading Private Limited (herein after referred to as "the Company") was incorporated on 07th March 2003. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private limited) on 1st December 2004. The Company took over all the assets & Liabilities of M/s Hinduja Processing & Finishing and M/s Sri Krishna Industries as a going concern on 1st April 2005.

2. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and complies in all material respects with the notified accounting standards under Companies (Accounting Standards) Rules (as amended), 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for the preparation and presentation of financial statements. The adoption of revised Schedule VI does not impact the recognition and measurement principles followed for the preparation of the financial statements. However, it has significant impact on the presentation and disclosure of the financial statements. The Company has reclassified previous year figures in accordance with the requirements applicable in current year.

2.1 Summary of Significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes requiring material adjustment to the carrying amounts of assets and liabilities in future periods.

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer.

Export incentives are recognized on accrual basis in accordance with the applicable schemes formulated, by the Government of India.

Revenues from job work contract are recognized as and when services are rendered.

Dividend income on investments is accounted when the right to receive the dividend is established as at reporting date.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Insurance / other claims are recognized on acceptance basis.

c) Fixed assets and depreciation/ amortization (tangible and intangible)

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation and impairment losses if any, net of grants received, where applicable and subsequent improvements thereto including taxes, duties, freight, and other incidental expenses related to acquisition/construction. Any trade discounts and rebates are deducted in arriving at the purchase price.

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

	<u>Rate of depreciation (WDV)</u>
Buildings	10.00%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers	40.00%
Vehicles	25.89%
Computer Software (Intangibles)	40.00%

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition. Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower.

Intangible assets comprising of Know-how (Process improvement costs) are amortized over 36 months.

d) Borrowing Costs

Borrowing costs includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs attributable to acquisition and construction of qualifying assets that necessarily takes substantial period of time to get ready for its intended use are capitalized as a part of the cost of such asset. All other borrowing costs are expensed in the period they occur.

e) Impairment of tangible and intangible assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit and loss to the extent the carrying amount exceeds the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Inventories

Raw materials, packing materials, stores, spares, and consumables are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Finished goods and work in progress are valued at lower of cost and net realisable value after considering provision for obsolescence and other anticipated loss, wherever considered necessary. Finished goods and work in progress includes cost of conversion and other production overheads. Cost is determined on a weighted average basis. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

g) Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

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

h) Government Grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is netted off with the relevant expense. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

i) Investments

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged / credited to statement of profit and loss.

j) Retirement and Other Employee Benefits

(i) Defined Contribution Plans:

Contributions to provident fund are made at pre-determined rates and charged to the statement of profit and loss for the year when contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

(ii) **Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at reporting date. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred.

(iii) **Compensated absences:**

Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Compensated absences are provided for, on the basis of an actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred.

k) Taxation

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. 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.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax asset is recognised only to the extent that it has timing differences the reversal of which will result in sufficient income or there is other convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Minimum Alternative Tax ('MAT') credit is recognised, as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each reporting date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

l) Accounting for leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

m) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

n) Segment Reporting Policies

(i) Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

(ii) Basis of allocation:

Assets, liabilities, income, and expenditure are allocated to each segment according to the relative contribution of each segment to the total amount. Unallocated items include general corporate items, which are not allocated to any segment.

(iii) Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

o) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the controls of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

q) Cash and Cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Notes to Account

22. Contingent liabilities

(Amount in Rs.)

Particulars	2012	2011
Claims against the Company not acknowledged as debts	81,288	Nil
Guarantees given by banks	Nil	Nil
Outstanding letters of credit	Nil	Nil
Export Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil	Nil

23. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Net employee benefit expense (in Profit and Loss Account)

(Amount in Rs)

	2012	2011
Current Service Cost	2,940,153	2,425,632
Interest cost on benefit obligation	194,298	128,283
Expected Return on Plan Assets	(3,836)	(34,546)
Actuarial gain/(loss)	701,021	529,497
Net benefit expense	3,831,636	3,048,866

Details of Provision for gratuity (in Balance Sheet)

(Amount in Rs)

	2012	2011
Defined benefit obligation	4,763,480	3,655,454
Fair value of plan asset	27,403	84,081
Liability recognized in the balance sheet	(4,736,077)	(3,571,373)

Changes in the present value of the defined benefit obligation are as follows:

(Amount in Rs)

	2012	2011
Opening defined benefit obligation – Current	296,437	213,300
Opening defined benefit obligation- Non current	3,359,017	2,416,962
Current Service Cost	2,940,153	2,425,632
Interest Cost	194,298	128,283
Benefits Paid	(2,739,193)	(2,053,451)
Actuarial (gain)/loss	712,768	524,728
Closing defined benefit obligation	4,763,480	3,655,454
Closing defined benefit obligation – Current	187,653	296,437
Closing defined benefit obligation – Non current	4,575,827	3,359,017

Changes in the fair value of plan asset are as follows:

	(Amount in Rs)	
	2012	2011
Opening fair value of plan asset	84,081	809,354
Expected return	3,836	34,546
Actuarial gain/(loss)	11,747	(4,769)
Contributions (less risk premium, service tax)	347,761	0
Benefits Paid	(420,022)	(755,050)
Contribution for Benefits settled directly by company	2,319,171	1,298,401
Benefits settled directly by company	(2,319,171)	1,298,401
Closing fair value of plan asset	27,403	84,081

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Interest Rate	8.50%	8%
Discount Factor	8.50%	8%
Estimated Rate of return on Plan Assets	8.00%	8%
Attrition Rate	25.00%	35%
Rate of escalation in Salary per annum	5.00%	5%
Retirement Age	58	58

The Company expects to contribute Rs.4,740,000 to gratuity in 2012-13. The major categories of plan asset as a percentage of the fair value of total plan asset are as follows:

	%	
	2012	2011
Investments with insurer	100	100

Notes:

- The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

24. Segment information

a) Primary business segment

The Company is engaged in a single business segment of sale of garment, and hence, no additional disclosures are required, other than those already given in the financial statements.

b) Secondary business segment (by geographical area based on location of customers):

(Amount in Rs)		
Geographical Segment	Revenues	Carrying amount of segment assets (Debtors)
In India	153,959,093 (137,703,226)	1,058,070 (176,450)
Outside India		
Total	153,959,093 (137,703,226)	1,058,070 (176,450)

Note:

- All fixed assets are located in India.
- Figures in brackets relate to previous year.

25. Related party disclosures

A. Names of related parties and description of relationship:

Ref	Description of Relationship	Names of related parties
a.	<i>Parties where control exists:</i>	
(i)	Immediate Holding Company	Gokaldas Exports Limited
(ii)	Fellow Subsidiaries	Deejay Trading Private Limited Glamourwear Apparels Private Limited Madhin Trading Private Limited Magenta Trading Private Limited Rafter Trading Private Limited Rajdin Apparels Private Limited All Colour Garments Private Limited Rishikesh Apparels Private Limited Robot Systems Private Limited Seven Hills Clothing Private Limited SNS Clothing Private Limited Vignesh Apparels Private Limited
b.	<i>Key management personnel:</i>	
(i)	Director	Mr. Gautam Chakravarti (appointed on 24.01.2011)
(ii)	Director	Mr. Sumit Keshan (appointed on 31.03.2011)
(iii)	Director	Mr. Madanlal J Hinduja (resigned on 15.01.2011)
(iv)	Director	Mr. Rajendra J Hinduja (resigned on 31.03.2011)
(v)	Director	Mr. Dinesh J Hinduja (resigned on 31.03.2011)
c	<i>Enterprises over which key management personnel and their relatives exercise significant influence with whom transactions have taken place during the year:</i>	
(i)	Private Limited Companies	NIL
(ii)	Partnership firms	NIL

B. The following are the volume of transactions with related parties during the year and outstanding balances as at the year- end disclosed in aggregate by type of related party: .

(Amount in Rs)

(Nature of transactions)	Holding Company	Fellow Subsidiaries	Others	Total
	A(a)	A(a)	A(c)	
Income				
Job work charges	105,259,334 (110,524,253)			105,259,334 (110,524,253)
Sales	40,818,409 (18,739,875)			40,818,409 (18,739,875)
Expenses				
Rent expense			NIL (112,635)	NIL (112,635)
Interest Paid		1,292,877 (28,493)		1292877 (28,493)
Liability				
Unsecured Loans		NIL (13,000,000)		NIL (13,000,000)
Balances outstanding as at March 31, 2012				
-- Credit balances	9,672,611 (2,412,596)	352,082 130,644		10,024,693 (2,543,240)
-- Debit balances		71,752 Nil	Nil (5,000,000)	71,752 (5,000,000)

Figures in brackets relate to previous year

Disclosure for transactions that exceed 10% of total value of each class of transactions:
(Amount in Rs)

	2012	2011
Rent Expenses		
Vag Exports Private Limited	-	112,635
Interest Paid		
SNS Clothing Private Limited	1,292,877	28,493
Rent Deposit		
VAG Exports Private Limited	-	5,000,000
Unsecured Loan		
SNS Clothing Private Limited	-	13,000,000
Debit balances to fellow subsidiaries		
Rishikesh Apparels Private Limited	71,752	-
Credit balances to fellow subsidiaries		
Seven Hills Clothing Private Limited	70,000	105,000
SNS Clothing Private Limited	282,082	25,644

26. Leasing Arrangements:

The Company's leasing arrangements in respect of its office, factory and residential premises are in the nature of operating leases. These leasing arrangements are usually cancellable at the option of the lessee any time.

27. Earnings per share

	(Amount in Rs)	
Particulars	2012	2011
Net profit for the year as per profit and loss account before exceptional items	200,740	(631,126)
Net profit for the year as per profit and loss account after exceptional items	200,740	(631,126)
Weighted average number of equity shares (Nos.)	10,000	10,000
Nominal value per share	10	10
Earnings per share – Basic and diluted		
Before exceptional items	20.07	(63.11)
After exceptional items		

28. Deferred taxes – Components Assets / (Liabilities)

	(Amount in Rs)		
Particulars	As at March 31, 2011	Current year (charge)/credit	As at March 31, 2012
Difference between book and tax base of fixed assets	(17,294)	17,294	-
Retirement benefits allowed on payment basis accrued in books			
Total	(17,294)	17,294	-

29. Remuneration to directors

(Amount in Rs)

Particulars	2012	2011
Salaries	Nil	Nil

30. CIF value of imports

Current Year : 8,198,519

Previous Year : 5,807,102

31. Expenditure in foreign currency on accrual basis

Current Year : NIL

Previous Year : Nil

32. Imported and indigenous raw materials, stores and spare parts consumed

Particulars	2012		2011	
	Amount (Rs)	%	Amount (Rs)	%
<i>Raw Materials</i>				
Imported	9,234,949	32.15	4,393,853	34.89
Indigenous	19,489,619	67.85	82,00,488	65.11
	28,724,568	100	12,594,341	100
<i>Consumables, Stores and Spares</i>				
Imported	Not Applicable		Not Applicable	
Indigenous				

33. Earnings in foreign currency

FOB value of exports

2012
335,395

2011
0

34. Sale by class of goods

Products	Unit	2011-2012		2010-2011	
		Quantity	Amount	Quantity	Amount
Polywadding	Mtrs	1,230,040	34,572,12 4	647,789	17,443,210
Quilted with Poly	Mtrs	460,163	13,691,700	451,575	9,497,536
Others			435,935		44,528
Total			48,699,759		26,985,274

35. Raw Materials consumed.

Products	Unit	2011-2012		2010-2011	
		Quantity	Amount	Quantity	Amount
Fibre	Kg's	188,254	21,072,138	115,153	9,009,099
Resin	Kg's	107,597	7,652,430	93,818	3,406,830
Packing					78,412
Total			28,724,568		12,594,341

36. Based on the information available with the company, there are no suppliers who are registered as micro, small or medium enterprises under the Micro, Small or Medium Enterprises Development Act 2006.
37. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

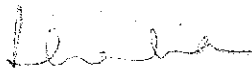
Signatures to schedules I to XXXVII

For and on behalf of the Board

For REFLEXION TRADING PRIVATE LIMITED



Gautam Chakravarti
Director



Sumit Keshan
Director

Bangalore:

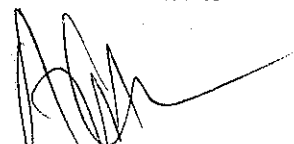
Dated: May 07, 2012

As per our report of even date

For V.M.Pal & Co.

Firm Regn. No.09075S

Chartered Accountants



A.V.Pal
(Partner)
(Membership No.37316)