

DIRECTORS

Uday Kumar Gujadhur
Yuraj K Juwaheer
Varij Sethi
Surendra Kumar Sethi

MANAGEMENT & ADMINISTRATION**ADMINISTRATOR & SECRETARY :**

Ambit Corpfm International Inc.
10, Frère Félix de Valois Street,
Port Louis,
MAURITIUS

REGISTERED OFFICE

10, Frère Félix de Valois Street,
Port Louis,
MAURITIUS

DIRECTORS' REPORT TO THE MEMBERS

The directors present their annual report, together with the audited financial statements of the Company for the year ended 31 March, 2004.

PRINCIPAL ACTIVITY

The company was incorporated in the Republic of Mauritius on 14 July, 2000 under the Companies Act, 2001 and was granted a category 1 Global Business Licence under the Financial Services Development Act, 2001 on 1 August, 2000. The company is engaged in investment activities.

RESULTS AND DIVIDENDS

The Company's Profit for the year ended 31 March, 2004 is USD 17,042 (P.Y. Loss -USD 1,560).

The directors do not recommend the payment of a dividend for the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the profit or loss of the Company.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

SECRETARY

SECRETARY'S REPORT TO THE MEMBERS YEAR ENDED 31 MARCH, 2004

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act, 2001.

Ambit Corpfm International Inc

CORPORATE SECRETARY,
10, Frère Félix de Valois Street,
Port Louis, MAURITIUS

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of **S B & T HOLDING LIMITED** set out on pages 36 to 41, which have been prepared on the basis of the accounting policies set out on pages 37 to 41.

Respective responsibilities of directors and auditors

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the Companies Act, 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or any interests in, the company other than in our capacity as auditors.

Opinion

We have obtained all such information and explanations which we considered necessary.

In our opinion :

- a) proper accounting records have been kept by the company as far as it appears from our examination of those records.
- b) the financial statements give a true and fair view of the state of affairs of the company as at 31 March, 2004 and of its results and cash flows for the year then ended, comply with the Companies Act, 2001 and have been prepared in accordance with and comply with International Financial Reporting Standards.

LAMUSSE SEK SUM & CO
PUBLIC ACCOUNTANTS

Port Louis

Date : 12th August, 2004

A SEK SUM, FCCA
PARTNER

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31 MARCH 2004**
**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004**

	Notes	2004 USD	2003 USD
INCOME			
Management fees		17,086	-
Interest Income		8,563	-
		<u>25,649</u>	<u>-</u>
LESS: EXPENDITURE			
ROC fees		54	-
Licence fees		999	-
Secretarial fees		1,082	-
Professional fees		1,882	-
Disbursements		400	-
Accountancy fees		1,000	-
Bank charges		234	30
Loss on exchange difference		1,041	-
Audit fees		1,530	1,530
		<u>8,222</u>	<u>1,560</u>
PROFIT/(LOSS) BEFORE TAX		<u>17,427</u>	<u>(1,560)</u>
Taxation	8	(385)	-
PROFIT/(LOSS) FOR THE YEAR		<u>17,042</u>	<u>(1,560)</u>

BALANCE SHEET AS AT 31 MARCH 2004

	Notes	2004 USD	2003 USD
ASSETS EMPLOYED			
Investment in associate	2	7,500,000	7,500,000
Investment in subsidiary	3	506,073	-
		<u>8,006,073</u>	<u>7,500,000</u>
CURRENT ASSETS			
Trade and other receivables	4	863,332	421,000
Bank Balances		236,428	221
		<u>1,099,760</u>	<u>421,221</u>
TOTAL ASSETS		<u>9,105,833</u>	<u>7,921,221</u>
FINANCED BY			
Share capital	5	1,468,427	1,468,427
Share application monies		924,405	-
Fair value reserve	1	6,031,667	6,031,667
Revenue reserve/(deficit)		12,439	(4,603)
		<u>8,436,938</u>	<u>7,495,491</u>
CURRENT LIABILITIES			
Borrowings	6	235,833	-
Trade and other payables	7	432,677	425,730
Taxation provision	8	385	-
		<u>668,895</u>	<u>425,730</u>
TOTAL LIABILITIES		<u>668,895</u>	<u>425,730</u>
TOTAL EQUITY AND LIABILITIES		<u>9,105,833</u>	<u>7,921,221</u>

These financial statements have been approved by the Board of Directors on 12 August 2004.

UDAY KUMAR GUJADHUR
Director

YUVRAJ KUMAR JUWAHEER
Director

The notes on pages 37 to 41 form an integral part of these financial statements.
Auditors' report on page 35.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2004

	Share Capital USD	Share application Money USD	Fair value reserve USD	Revenue Reserve/ (Deficit) USD	Total USD
Balance at 1 April 2002	1,468,427	-	6,031,667	(3,043)	7,497,051
Loss for the year	-	-	-	(1,560)	(1,560)
Balance at 31 March 2003	1,468,427	-	6,031,667	(4,603)	7,495,491
Balance at 1 April 2003	1,468,427	-	6,031,667	(4,603)	7,495,491
Application monies	-	924,405	-	-	924,405
Profit for the year	-	-	-	17,042	17,042
Balance at 31 March 2004	<u>1,468,427</u>	<u>924,405</u>	<u>6,031,667</u>	<u>12,439</u>	<u>8,436,938</u>

The notes on pages 37 to 41 form an integral part of these financial statements.
Auditors' report on page 35.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	2004 USD	2003 USD
Cash flows from operating activities		
Net profit/(loss) for the year before tax	17,427	(1,560)
Adjustments for interest income	(8,563)	-
Operating profit/(loss) before working capital changes	8,864	(1,560)
Increase in trade and other receivables	(442,332)	-
Increase in trade and other payables	6,947	1,530
Net cash used in operating activities	(426,521)	(30)
Cash flows from investing activities		
Purchase of investments	(506,073)	-
Interest income	8,563	-
Net cash used in investing activities	(497,510)	-
Cash flows from financing activities		
Share application monies	924,405	-
Loan from shareholder	235,833	-
Net cash from financing activities	1,160,238	-
Net increase/(decrease) in cash and cash equivalents	236,207	(30)
Cash and cash equivalents at beginning of the year	221	251
Net increase/(decrease) in cash and cash equivalents	236,207	(30)
Cash and cash equivalents at end of the year	236,428	221

The notes on pages 37 to 41 form an integral part of these financial statements.
Auditors' report on page 35.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below. The preparation of financial statements in accordance with International Financial Reporting Standards requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using the following policies:

a) Reporting currency

The financial statements are prepared in United States of American Dollar.

b) Basis of accounting

The accounts are prepared under the historical cost convention.

c) Income and expenditure recognition

Income and expenditure are accounted for on an accrual basis.

d) Investment

The company has adopted International Accounting Standards (IAS) 39 - "Financial Instruments: Recognition and Measurement", which classifies investments into two categories: trading and available-for-sale.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. All other investments are classified as trading. Accordingly, the company has classified its investments as available-for-sale.

Available-for-sale Investments are initially recorded at cost and are subsequently measured at fair value. The company has a one time choice to either report the resulting temporary unrealised (gains) / losses as follows: as a separate component of equity as "Fair value Reserve", till the underlying investment is sold or permanently written off, when the total realised (gains)/losses are reported in the income statement; or in the income statement. Where the Company is not able to estimate the fair value of the available-for-sale investments, they are measured at cost subject to impairment recognition.

Accordingly, the effect of adopting IAS 39 at 1 January 2001 on equity is shown in the statement of changes in equity.

The Company has adopted IAS 27, Consolidated Financial Statements and Accounting for Investment in subsidiaries. Its Investment in subsidiary is carried at cost subject to a review for impairment.

e) Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

f) Deferred taxation

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The principal temporary differences arise from tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

g) Consolidated Financial Statements

The Company owns 60% of the share capital of S B & T (UK) Limited and has taken advantage of paragraph 8 of International Accounting Standards IAS 27, Consolidated Financial Statements and Accounting For Investment In subsidiaries, which dispenses it from the need to present consolidated financial statements, as it is a wholly-owned subsidiary of S. B. & T. International Limited.

h) Financial instruments

Financial instruments carried on the balance sheet are trade and other receivables, bank balances, borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the company is a party are provided in note 10.

2. INVESTMENT IN ASSOCIATE (UNQUOTED)

Name of investee company	Type of shares	Country of Incorporation	% holding
Soft Touch Jewellers LLC	Ordinary	United Arab Emirates	49%

Notes :

- a) Under the Articles of the investee company, S B & T Holding Limited holds the management rights of the investee company for its entire life time. Further, the 51% holding in the investee company is held by a UAE national as required by the Commercial Companies Law No 8 of 1983, as amended. However, he holds it in trust on behalf of S B & T Holding Limited.

Considering the above matter, the management considers the investment in Soft Touch Jewellers LLC as 100% beneficially owned by S B & T Holding Limited.

- b) The investment in Soft Touch Jewellers LLC has been valued at 1 January 2002 by an independent accountancy firm, M/s. Deloitte Haskins & Sells to arrive at a fair value of investment. As per the valuation, the value of investment is between USD 7.50 million to USD 8.00 million. The directors have decided to value the investment at USD 7.50 million and are of opinion that the value is the same at 31 March 2004.

- c) The company does not prepare consolidated financial statements and hence has not accounted for the results of Soft Touch Jewellers LLC under the equity method. Had this been applied, the effect would have been as follows :-

- i) The profit for the year after taxation would have increased by USD 775,346 (beneficial holding -100%) or by USD 379,919 (legal holding -49%) [P.Y. USD 747,180 (beneficial holding -100%) or USD 366,118 (legal holding -49%)], representing the company's share of results of the investee company after taxation.

- ii) The company's share of net assets in the investee company would have been USD 2,798,376 (beneficial holding -100%) or USD 1,371,204 (legal holding -49%) [P.Y. USD 2,019,085 (beneficial holding -100%) or USD 989,351 (legal holding -49%)].

3. INVESTMENT IN SUBSIDIARY

	2004 USD	2003 USD
At 01 April	-	-
Additions	506,073	-
At 31 March	506,073	-

Details of investment are:

Name of company	Country of incorporation	Number of shares held	Class of shares	% Holding
S B & T (UK) Limited	UK	60,000	Equity	60
S B & T (UK) Limited	UK	234,000	Preference	100

4. TRADE AND OTHER RECEIVABLES

	2004 USD	2003 USD
Advances to Soft Touch Jewellers LLC	420,500	421,000
Advances to S B & T (UK) Limited	442,832	-
	863,332	421,000

5. SHARE CAPITAL

	2004 USD	2003 USD
Authorised 10,000,000 ordinary shares of USD 1 each	10,000,000	10,000,000
Issued and paid up 1,468,427 ordinary shares of USD 1 each	1,468,427	1,468,427

6. BORROWINGS

	2004 USD	2003 USD
Amount due to Shareholder	235,833	-

The shareholder's loan bears interest of 6 % per annum payable to the lender at the end of each quarter. The amount of loan is initially for a period of one year and thereafter renewable from time to time as may be mutually agreed.

7. TRADE AND OTHER PAYABLES

	2004 USD	2003 USD
Accruals	9,477	2,530
Other payables	423,200	423,200
	432,677	425,730

8. TAXATION

The Company has been established as a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Development Act, 2001. The profit of the Company, as adjusted for income tax purposes, is subject to income tax at 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius tax on its foreign source income.

Interest income from offshore banks is exempt from tax and there is no tax on capital gains in Mauritius.

(a) Charge	2004	2003
Mauritian Income tax, based on profit for the year as adjusted for tax purposes	USD	USD
	385	-
(b) Liability	2004	2003
At 1 April 2003	USD	USD
Charge for the year	-	-
Paid during the year	385	-
	-	-
At 31 March 2004	385	-
(c) A reconciliation between the profit before tax and taxable profit is as follows:	2004	2003
Profit/(loss) before tax	USD	USD
	17,427	(1,560)
Tax at 15%	2,614	(234)
Tax losses unused	(690)	(456)
Less foreign tax credit (80%)	(1,539)	-
Tax charge	385	(690)

9. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2004, the Company transacted with the related parties. The nature, volume and type of transactions with the entities are as follows :

Name of company	Type of relationship	Nature of transaction	Volume Amount USD	BALANCE AT 31 MARCH 2004 USD
S. B. & T. International Limited	Holding company	Loan received	235,833	235,833
Soft Touch Jewellers LLC	Associate	Loan given	(500)	420,500
S B & T (UK) Limited	Subsidiary	Loan given	442,832	442,832
S B & T (UK) Limited	Subsidiary	Management fees	17,086	-

10. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of trade and other receivables, cash at bank, borrowings and trade and other payables approximate their fair values. Financial assets and liabilities, which are accounted for at historical cost, are carried at values which may differ materially from their fair values.

However characteristics pertinent to their fair values are as follows :

The investment in Soft Touch Jewellers LLC has been valued at 1 January 2002 by an independent accountancy firm, M/s. Deloitte Haskins & Sells to arrive at a fair value of investment. As per the valuation, the value of investment is between USD 7.50 million to USD 8.00 million. The directors have decided to value the investment at USD 7.50 million and are of opinion that the value is the same at 31 March 2004.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows :

	Financial assets 2004 USD	Financial liabilities 2004 USD	Financial assets 2003 USD	Financial liabilities 2003 USD
Pound Sterling	1,185,168	-	-	-
Utd. Arab Emir. Dirham	7,500,000	-	7,500,000	-
United States dollar	420,665	668,510	421,221	425,730
	<u>9,105,833</u>	<u>668,510</u>	<u>7,921,221</u>	<u>425,730</u>

Prepayments are not included in the financial statements.

All the financial assets and liabilities of the Company are denominated in US Dollars.

Currency risk

The Company invests in shares denominated in United Arab Emirates Dirham(AED) and Pound Sterling (GBP).

Consequently, the Company is exposed to the risk that exchange rate of the USD relative to GBP and AED may change in a manner, which has a material effect on the reported values of the Company's assets, which are denominated in GBP and AED.

11. HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard SB&T International Limited, a company incorporated in India, as its holding and ultimate holding company.