

DIRECTORS' REPORT

**To,
The Members,
Meghmani Europe BVBA,**

Your directors have pleasure in presenting audited financial statement of the Company for the Financial Year ended on 31 March, 2010. The company is a Wholly Owned Subsidiary of Meghmani Organics Limited.

The Company is engaged in trading activities in European countries. It caters to many small customers who are logistically difficult to manage from India and also extends technical help to customers.

There is no change in the shareholding during the year under review. The Company has registered a net loss of Rs.1.11 Crore. Your directors have analysed that exchange rate fluctuations and high overheads in European countries are the resultant of negative contribution.

**For and on behalf of the Board
Ketan Mapara
Director**

Date : 17.05.2010

Profit & Loss Account for the year ended on 31.03.10

Particulars	EURO 01.04.09 to 31.03.2010	INR 01.04.09 to 31.03.2010
Sales	3,381,539	226,222,104
Total Income	3,381,539	226,222,104
Cost of Goods Sold	3,462,898	229,848,460
(Increase) / Decrease in Stock	-142,668	-2,296,421
Stock Reserve		
Gross Profit	61,309	-1,329,935
Administration Expenses	238,476	15,953,808
Selling & Distribution Expenses	55,491	3,712,310
Financial Expenses	110,263	7,376,496
Depreciation	24,144	1,459,535
Other Income	-280,765	-18,782,926
	147,608	9,719,222
Net Profit	-86,299	-11,049,158
Prior Period Adjustments	1068	72274
Net profit	-87,367	-11,121,432
Grouping of Profit & Loss Account		
Particulars	01.04.09 to 31.03.2010	01.04.09 to 31.03.2010
Total Income		
Sales	3,381,539	226,222,104
Sales - Goods in Transport		
Other Income		
Interest Received	30	2,005
Rate Difference/exchange gain		
Other Income	10,910	729,896
Commission	269,824	18,051,026
	280765	18782926
Cost of Goods Sold		
Purchase	3,335,034	221,294,464
Transport Charges	-11,326	-757,676
Custom charges	148,759	9,951,829
Purchase Expenses		
Discount from Supplier	-9,569	-640,157
Total	3,462,898	229,848,460

MEGHMANI EUROPE BVBA

Profit & Loss Account for the year ended on 31.03.10

Administration Expenses		
accountants		0
Computer Maintainance Charges	1,190	79,610
Credit Insurance		0
Electricity Exp.	3,146	210,433
Education Exp.	12,901	863,066
Fees to MOL		0
JCH Services		0
Legal Fees	61,378	4,106,125
Meal vouchers	365	24,418
Office Charges	31	2,062
Office installation charges	690	46,174
Office Rent	1,210	80,976
Rent House		0
Gardener Exp.	435	29,094
Other Expenses	9,614	643,172
Other Recurring Cost , maintenannce	8,608	575,871
Office Furniture Exp.		0
Penalty		0
Postage Expenses	2,144	143,420
Rate Difference		0
Rental Cost Regus		0
Salary	103,593	6,930,286
Salary Admin Exp.-social security contribution	10,839	725,127
Social security contribution - Directors		0
Services Pro pay	2,990	199,995
Service from out side		0
Benefit in Kind	0	0
Meal vouchers- Salary	1,529	102,281
Holiday Pay	1,183	79,125
13th month provision		0
Medical Exp.	1,119	74,893
Software Expenses		0
Sundry Expense / (Recovery)		0
Telephone Expenses	8,623	576,839
Third Pary Expenses		0
VAT not recoverable	1,831	122,468
Taxes on House /Car	3,775	252,569
Insurance exp.	698	46,665
Commune Tax/ city tax	585	39,136
Decrease in value of land		0
Exchanges Difference / rate Difference		
Total	238,476	15,953,808

Profit & Loss Account for the year ended on 31.03.10

Selling & Distribution Expenses		0
Car Expenses	7,386	494,094
Commission Paid	7,300	488,366
Discount to Customer		0
Entertainment to Customer		0
Exhibitions		0
Fuel Expenses	1,942	129,889
Taxi Cost	3,298	220,601
Gift to Customers	28	1,860
Packing Expenses	425	28,435
Storage Charges	9,663	646,465
Transportation & C&F		0
Credit Insurance	7,667	512,943
Travelling Expenses	17,783	1,189,658
Total	55,491	3,712,310
Finance Expenses		
Bank Charges	5,264	352,146
Bank Interest	29,505	1,973,892
Exchanges Difference / rate Difference	56,371	3,771,188
Interest on Car Lease	643	43,041
Interest Others	18,479	1,236,229
Tax Payments		0
Total	110,263	7,376,496
Depreciation		
Computer	2814	170104
Furniture	1799	108748
Car	324	19604
New car	5392	325943
Building	13643	824763
Tangible assets	172	10374
Total	24,144	1,459,535

MEGHMANI EUROPE BVBA

Balance Sheet as on 31.03.2010

Meghmani Europe BVBA Balance Sheet as on 31.03.2010	Amt. in EURO		Amt. in INR	
	31.03.2010		31.03.10	
Share Capital				
Issued \$Subscribed Cap.	37,100			
Less : Calls in arrears	12,350	24,750		1,443,433.00
Reseerve & Surplus				
Profit & Loss A/c.	-512,491		-27390319	
Add /Less Current year	-87,367	-599,858	-11,121,432	-38,511,751.07
Translation Reserve				-7,494,788
Secured Loans				
ABN Amro Bank			0	
Loans (hypo of Vehicles)			0	
Loan (House)	430,034	430,034	25,996,651	25,996,651
Unsecured Loans				
Meghmani Organics Ltd., India	1,681,882	1,681,882	111,470,354	111,470,354
Total Liabilites		1,536,808		92,903,899
Fixed Assets				
Gross Block	622,012		37,602,160	
Less: Accumulated Depreciation	71,984		4,351,609	
Net Block	550,028	550,028	33,250,552	33,250,552
Current Assets				
Cash on Hand & Bank Bal.			0	
ABN AMRO BANK	210,267		12,711,147	
Bank of India	2,160		130,569	
KBC BANK	58,533		3,538,439	
Cash Bal.			0	0
Invenotry	1,048,314		63,373,212	
Stock Reserve				
Sundry Debtors	2,976,615		179,943,804	
Prepaid Expenses				
Employee Recoverable Exp.			0	
Deposits/ guarantees	27,117		1,639,286	
Advance to suppliers			0	
Income Receivable			0	
Other Current Assets	32,751		1,979,894	263,316,350
Total Current Assets	4355756		263,316,350	
Current Liabilites				
Creditors	3,354,683		202,798,965	
Provisions and Unpaid Exp.	4,311		260,592	
Other Current Liabilities	9,982		603,447	
203,663,004				
	3368976		203663004	
Net Current Assets		986,780		59,653,347
Total Assets		1,536,808		92,903,899

Meghmani Europe BVBA As On 31.03.10	EURO	As on 31.03.2010 Gross Block				Average Depreciation				Net Block	
		Opening	Addition	Deletion	Closing	Op Dep	for the year adjustment	Cl. Dep	31.03.2010	31.03.2009	
Computer	12,450	-	12,450	-	12,450	9,636	2,814	12,450	-	2,813.84	
Furniture & fixtures	8,995	-	8,995	-	8,995	2,895	1,799	4,694	4,301	6,099.80	
Vehicles	15,541	-	15,541	-	15,541	15,217	324	15,541	0	323.87	
Vehicals - new		26958			26,958		5,392	5,392	21,567		
Buildings	462,469	-	462,469	-	462,469	20,093	13,643	33,736	428,733	442,376.03	
Other Tangible Assets	-	858			858	-	172	172	686	-	
Land	94,741	-	94,741	-	94,741	-	-	-	94,741	94,741.35	
Total	594,195	27816			622,012	47,840	24,144	71,984	550,028	546,354.89	
Meghmani Europe BVBA As On 31.03.10	IN INR	As on 31.03.2010				Depreciation				Net Block	
		Opening	Addition	Deletion	Closing	Op Dep	for the year adjustment	Cl. Dep	31.03.2010	31.03.2009	
Computer	752,606	-	752,606	-	752,606	582,503	170,104	752,606	-	170,104	
Furniture & fixtures	543,764	-	543,764	-	543,764	175,016	108,748	283,764	260,000	368,748	
Vehicles	939,468	-	939,468	-	939,468	919,889	19,604	939,492	-25	19,579	
Vehicals - new		1,629,700			1,629,700		325,943	325,943	1,303,757		
Buildings	27,957,403	-	27,957,403	-	27,957,403	1,214,666	824,763	2,039,429	25,917,974	26,742,737	
Other Tangible Assets	-	51,868			51,868	-	10,374	10,374	41,495	-	
Land	5,727,351	-	5,727,351	-	5,727,351	-	-	-	5,727,351	5,727,351	
Total	35,920,593	1681568			37,602,160	2,892,074	1,459,535	4,351,609	33,250,552	33,028,519	