

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Ashok Kumar Bansal	Chairman-cum-Managing Director
Mrs. Anju Bansal	Whole-Time Director
Mr. Ashwani Kumar Singla	Director
Mr. Radha Krishan Pandey	Director
Mr. Chander Shekher Batra	Director
Col. Surinder Kumar Jain	Director

### **AUDIT COMMITTEE**

Mr. Radha Krishan Pandey	Chairman
Mr. Ashok Kumar Bansal	Member
Mr. Chander Shekher Batra	Member

### **SHARE TRANSFER / INVESTOR GRIEVANCES**

#### **REDRESSAL COMMITTEE**

Mr. Chander Shekher Batra	Chairman
Mr. Ashok Kumar Bansal	Member
Mrs. Anju Bansal	Member

### **REMUNERATION COMMITTEE**

Mr. Radha Krishan Pandey	Chairman
Mr. Chander Shekher Batra	Member
Col. Surinder Kumar Jain	Member

### **CHIEF FINANCIAL OFFICER**

Mr. Sandeep Agrawal

### **COMPANY SECRETARY**

Mr. Arvind Kumar Gupta

### **STATUTORY AUDITORS**

M/s Rohtas & Hans,  
Chartered Accountants,  
A-15, Priyadarshni Vihar, Delhi – 110092

### **BANKERS**

Punjab National Bank	State Bank of India
Oriental Bank of Commerce	Syndicate Bank
Union Bank of India	Central Bank of India
Allahabad Bank	Karnataka Bank
ICICI Bank	Bank of India

### **REGISTRARS AND TRANSFER AGENT**

#### **Karvy Computershare Private Limited**

Plot No 17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500051  
Phone : 040 - 23420815/ 816/ 817/818, Fax No : 040 - 23420814  
Email: mailmanager@karvy.com

### **CORPORATE OFFICE**

108-109, NSEZ, Noida - 201305 Uttar Pradesh  
Tel: +91 120 4140200, Fax: +91 120 3042099, 4140207

### **REGISTERED OFFICE**

E-93, 2nd Floor, Greater Kailash Enclave-I, New Delhi – 110048  
Tel: +91 11 26241572, Fax: +91 11 26241822

## Annual Report 2009-2010

### Contents

Notice	3
Director's Report	5
Corporate Governance	9
Management Discussion & Analysis	18
Auditor's Report	20
Balance Sheet	22
Profit & Loss Account	23
Schedules	24
Cash Flow Statement	32
Notes on the Accounts	33
Cosolidated Accounts	40
Statement under section 212	58
Subsidiaries Company (Hanung (Shanghai) Ltd.	59
Accounts of Subsidiary Company as per Schedule VI of Companies Act	72

## Notice

Notice is hereby given that the **Twentieth Annual General Meeting** of members of **Hanung Toys and Textiles Limited** will be held on **Monday, 26th July 2010 at 4:00 P.M.** at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following businesses:

### ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit & Loss Account for the year ended on that date, together with the Report of the Directors and the Auditors thereon.
2. To declare dividend on equity shares for the year ended on March 31, 2010.
3. To appoint a Director in place of Mr. Ashwani Kumar Singla, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chander Shakher Batra, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s Rohtas & Hans, Chartered Accountants as Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting of the Company to the conclusion of next Annual General Meeting 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** Col. Surinder Kumar Jain, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 with effect from March 24, 2010, and whose terms of office expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”

By order of the Board  
For **Hanung Toys and Textiles Limited**

Place : Noida  
Date : July 01, 2010

**Arvind Kumar Gupta**  
Company Secretary

### NOTES: -

1. The Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special business stated above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE DELIVERED AT THE REGISTERED OR CORPORATE OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Book of the Company will remain closed from July 13, 2010 to July 16, 2010 (both days inclusive).

The dividend as recommended by the Board Directors, if declared by the members of the company at twentieth Annual General Meeting shall be paid as below.

- (a) to those Members, holding shares in physical form, whose names appear on the Register of Members of the Company, at the close of business hours on July 16, 2010 after giving effect to all valid transfers in physical form lodged on or before July 13, 2010 with the Company and/or its Registrar or Transfer agent; and
- (b) in respect of shares held in electronic form, on the basis of beneficial ownership as per the details furnished by National Security Depository Limited (NSDL) and Central Depository Services Limited (CDSL) at the close of business hours on July 12, 2010.

4. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, Change of address/name etc. to their depository participant only and not to the Company or its Registrar and Transfer Agent. The said intimations will be automatically reflected in the Company's records.
5. Pursuant to the requirements on corporate governance under Clause 49 of the Listing Agreement entered into with Stock Exchanges, the information about the Directors proposed to be appointed/re-appointed is given in the report on Corporate Governance.
6. Members desirous of getting any information about the accounts and/or operations of the Company are requested to write to the Company at least seven days before the date of Meeting to enable the Company to keep the information ready at the Meeting.
7. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered and Corporate Office of the Company between 10.30 A.M. and 12.30 P.M. on all working days from the date hereof up to the date of Meeting.
8. Members who wish to claim Dividends, which remains unclaimed, are requested to either correspond with the Secretarial Department at the Company's registered office or the Company's Registrar and Share Transfer Agent (Karvy Computershare Pvt. Ltd.). Members are requested to note that dividends not encashed or claimed within seven years and 30 days from the date of declaration of the Dividend, will as per Section 205A (5) read with Section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund of Government of India. In view of this, members are advised to send all the unencashed dividend warrants pertaining to these years to our Registrars for revalidation and encash them before the due dates.

By order of the Board  
For **Hanung Toys and Textiles Limited**

Place : Noida  
Date : July 01, 2010

**Arvind Kumar Gupta**  
Company Secretary

#### **EXPLANATORY STATEMENT** **Pursuant to Section 173 (2) of the Companies Act, 1956**

The following Explanatory Statement sets out all material facts relating to item no. 6 of the accompanying notice of the Annual General Meeting to be held on July 26, 2010 at Airforce Auditorium, Subroto Park, New Delhi-11 0010.

#### **ITEM NO.6**

The Board of Directors in their meeting held on March 24, 2010 has co-opted Col. Surinder Kumar Jain as an Additional Director on the Board as per Section 260 of the Companies Act. He holds office until the ensuing Annual General Meeting. Notice u/s 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose his candidature for the office at the forthcoming Annual General Meeting.

Col. Surinder Kumar Jain, 57 years, a resident Indian national, joined our Company as a Additional Director of the Company on March 24, 2010. He is a post graduate in Industrial Engineering. & Operations Research from IIT Kharagpur and he also hold Masters Degree in Personnel Management from Pune. He has worked at many important designations in Government and Public Sectors. Col. Jain has over 33 years of experience in various fields. Presently, he is acting as a Principal of Gurukulam Institute of technical Education (Kohra-Bhura) Naraingarh, Col. Surinder Kumar Jain did not hold any equity shares of the Company as on July 01, 2010.

None of the directors is interested in the above resolution.

By order of the Board  
For **Hanung Toys and Textiles Limited**

Place : Noida  
Date : July 01, 2010

**Arvind Kumar Gupta**  
Company Secretary

## Directors' Report

Dear Members,

The Directors have pleasure in presenting the twentieth Annual Report of your Company together with the standalone and consolidated Audited Statements of Financial Accounts for the year ended March 31, 2010.

### FINANCIAL RESULT (STANDALONE) *(Rs. in Lacs)*

Particulars	2009-10	2008-09
Net Sales & Other Income	85,274	65,307
Profit before Interest, Depreciation & Tax	16,499	11,815
Financial Overheads	4,965	3,290
Depreciation	1,722	1,131
Net Profit before Tax & Prior Adjustment	9,812	7,394
Prior Period Adjustment	81	18
Net Profit before Tax	9,731	7,376
Provision for Tax		
— Current	364	627
— Deferred	248	290
— Fringe Benefit	0	14
Tax for earlier years	71	0
Net Profit after tax	9,048	6,445
Appropriations		
Proposed Dividend	504	378
Provision for Tax for dividend	86	64
Surplus carried forward to Balance Sheet	8,458	6,003
Transfer to General Reserve	3,500	3,500
Net Surplus carried forward to Balance Sheet	4,958	2,503

### FINANCIAL RESULT (CONSOLIDATED) *(Rs. in Lacs)*

Particulars	2009-10	2008-09
Net Sales & Other Income	85,274	65,307
Profit before Interest, Depreciation & Tax	16,430	11,815
Financial Overheads	4,965	3,290
Depreciation	1,722	1,131
Net Profit before Tax & Prior Adjustment	9,743	7,394
Prior Period Adjustment	81	18
Net Profit before Tax	9,662	7,376
Provision for Tax		
— Current	364	627
— Deferred	249	290
— Fringe Benefit	0	14
Tax for earlier years	71	0
Net Profit after tax	8,978	6,445
Appropriations		
Proposed Dividend	504	378
Provision for Tax for dividend	86	64
Surplus carried forward to Balance Sheet	8,388	6,003
Transfer to General Reserve	3,500	3,500
Net Surplus carried forward to Balance Sheet	4,888	2,503

### RESULTS OF THE OPERATION

The gross sales and other income for the financial year under review were Rs.85274 lakhs as against Rs.65307 lakhs for the previous financial year registering an increase of 31%. The Profit before tax (after interest and depreciation charges) of Rs.9731 lakhs as against Rs.7376 lakhs for the previous year increasing by 32% and Profit after tax of Rs.9048 lakhs as against Rs.6445 lakhs for the previous year increasing by 40% respectively.

### DIVIDEND

Your Directors have recommended dividend of Rs.2.00 for every equity share of Rs.10 each resulting in a dividend rate of 20% for the financial year 2009-10.

### PREFERENTIAL ALLOTMENT OF SHARE WARRANTS

The Company has allotted 12,50,000 warrants convertible into equivalent number of equity shares of Rs.10/- each at a premium of Rs.235.73 on June 08, 2010 to Promoter and Promoter Group.

### BUSINESS

The Company's main operations consist of manufacturing Toys and Home Furnishings.

### SUBSIDIARY

The Hanung (Shanghai) Ltd. is subsidiary of the Company within meaning of Section 4 of Companies Act 1956. It was incorporated on 29th September, 2009 in the Republic of China.

### CORPORATE GOVERNANCE

Report on Corporate Governance as required under Clause-49, of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

A Certificate from the Auditors of the Company M/s. Rohtas & Hans, Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause-49, and Management Discussion and Analysis forms part of the Annual Report.

### DIRECTORS

There are six directors on the Board of Directors of the Company.

During the year under review, Mr. Gulshan Rai Jain resigned from the Board of Directors effective from March 24, 2010. The Directors place on record their sincere appreciation to Mr. Gulshan Rai Jain for the valuable services and contribution rendered to the Company during his tenure as director of the Company. Col. Surinder Kumar Jain has been appointed as an Additional Director of the Company w.e.f. March 24, 2010.

By the terms of Articles of Association, Mr. Ashwani Kumar Singla and Mr. Chander Shekher Batra, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Brief resumes of the Directors proposed to be re-appointed, their expertise in specific functional areas and names of the companies in which they hold directorship / membership / chairmanship of the Board Committees, as stipulated under clause 49 of the listing Agreement with the Stock Exchanges have been provided in the report on Corporate Governance.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state



of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period under review.

- 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;
- That the Directors have prepared the annual accounts for the year ended March 31, 2010 on a 'going concern' basis.

#### **FIXED DEPOSITS**

During the year under review, your company has not accepted or renewed any fixed Deposit from the public.

#### **AUDITORS**

The Auditors, M/s. Rohtas & Hans, Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

#### **CODE OF CONDUCT COMPLIANCE**

Pursuant to Clause-49 of the Listing Agreement entered with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, the declaration signed by the Managing Director affirming compliance with the Code of Conduct by the Director's and senior management personnel, for the financial year 2009-10 is annexed and forms part of the Directors and Corporate Governance Report.

#### **DISCLOSURE OF EMPLOYEES**

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other details have been furnished in an Annexure to this Report.

#### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

By the terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo are set out as an Annexure to this Report.

#### **CAUTIONARY STATEMENT**

Statements made in the Report, including those stated under the caption "Management Discussion and Analysis" describing the Company's plans, projections and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

#### **ACKNOWLEDGEMENTS**

Your Directors would like to place on record their sincere thanks to the Company's clients, vendors, investors and bankers for their continued support to the Company during the year. The Directors wish to place on record their appreciation of the contributions made by employees at all levels.

We thank the government of India, state governments and other government agencies for their support and look forward to their continued support in future.

By order of the Board  
For **Hanung Toys and Textiles Limited**

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

Place : Noida  
Date : July 01, 2010

## Annexure 'A' to the Directors' Report

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988.

### A. CONSERVATION OF ENERGY

- (a) 1. Energy efficient lighting system in place e.g. CFL I FTL fittings are being used in all offices I sites.
2. Energy efficient lighting system is designed for the commercial projects.
3. Parallel operations of lifts is being carried out to achieve energy conservation.
4. Effective preventive and predictive maintenance system is in place for maintaining all energy intensive equipments i.e. DG sets for energy generation etc.
5. Fuel metering system is in place to track the consumption of fuel.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.  
The Company thrives to construct energy efficient structures which use natural lighting in their plant & offices.
- (c) Impact of measures for reduction of energy consumption I Energy Conservation-  
As the Company is primarily engaged in the manufacturing and the impact of the measures at (a) and (b) above for reduction of energy consumption cannot be quantified.
- (d) Total Energy consumption and Energy consumption per unit of production as prescribed in Form 'A'-

**FORM A**  
(See rule 2)

(Rs. In Lacs)

S.No.	Particulars	2009-10	2008-09
<b>1.</b>	<b>Electricity</b>		
	Purchase (Units in lacs)	104.86	36.42
	Total Amount (Rs. In lacs)	437.05	184.53
	Rate / Unit (Rs.)	4.17	5.07
<b>2.</b>	<b>Own Generation Through Diesel Genset (Units in Lacs)</b>		
	Purchase (Units in lacs)	41.72	17.50
	Total Amount (Rs. In lacs)	516.75	195.01
	Rate / Unit (Rs.)	12.39	11.14

### B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form 'B' of the Annexure

**FORM-B**

#### 1. Research & Development (R & D)

- a. Specific area in which (R & D) : With the Objective of better productivity and yield and optimum cost effectiveness the Company has been
- b. Benefits derived as a result of above R & D adopting various techniques, developed by in-house R & D department from time to time.
- c. Future Plan of Action

#### d. Expenditure on R & D

- i. Capital
  - ii. Recurring
  - iii. Total
  - iv. Total R & D Expenditure as a percentage
- : The R & D activity of the Company forms part of the project cost and has not been quantified separately.

### 2. Technology absorption, adoption and innovation.

- a. Efforts in brief made towards Technology absorption, adoption and innovation. : Not Applicable
- b. Benefits derives as result of the above efforts e.g. product improvement, cost reduction, production development, import substitution etc.

### 3. In case of imported technology imported during the last 5 years reckoned from the beginning of the financial year, following information may be furnished

- I. Technology imported
  - II. Year of Import
  - III. Has technology fully absorbed areas where this has not taken place, reasons thereof and plan of action
- : Not Applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase exports, developments of new exports markets for products and services, and export plans:

During the year, 9 new customers were added. All these customers have the potential and will be converted into US\$ 10 Millions each, or more, in the next two years. Some of these have already been converted into US\$ 5 Million plus accounts. Products made by your company are available on the shelves of Bloomingdales, William-Sonoma Group, Macy's, Dillard's, BBB, JC Penney, Target Stores, HBC, Rona, Home Depot, Wal-Mart, Anna's Linens, LNT, Tuesday Morning, Ikea, Francodim, Conforama, Homebase, Argos, etc.

The company has a balanced product portfolio, so that the dependence on anyone category is minimized.

#### 2. Total Foreign Exchange used and earned (in Rs.) :

Total Foreign Exchange used : 37283.54 Lakh  
 Total Foreign Exchange earned : 63924.97 Lakh

By order of the Board  
**For Hanung Toys and Textiles limited**

Place: Noida  
 Date : July 01, 2010

**Ashok Kumar Bansal**  
 Chairman-cum-Managing Director

## Annexure 'B' to the Directors' Report

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010

Name of Employee	Age (yrs.)	Qualification	Expe-rience	Date of Employment	Designation	Remuneration Gross (Rs.)	Last Employment held
<b>A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000/- per annum.</b>							
Mr. Ashok Kumar Bansal	52	B.Com, F.C.A. & C.S.	27	10.10.1990	Chairman-cum-Managing Director	1,19,25,000	Self Employed
Mrs. Anju Bansal	49	M. A.	24	28.09.2001	Whole-Time Director	79,50,000	N.A.
<b>B. Employed for part of the year and in receipt of remuneration not less than Rs. 2,00,000/- per month.</b>							
Mr. I.K .Singhal	53	B-Tech	31	12.09.2008	C.E.O. (Roorkee)	6,06,614	GPI Textiles Ltd.

### Notes:-

- Mrs. Anju Bansal, Whole-Time Director is wife of Mr. Ashok Kumar Bansal. Chairman-cum-Managing Director of the Company.
- Employees named above are whole time employees of the Company as per terms and conditions of the Company.
- Remuneration received gross includes Salary and other allowances.

By order of the Board  
 For Hanung Toys and Textiles Limited

Place : Noida  
 Date : July 01, 2010

**Ashok Kumar Bansal**  
 Chairman-cum-Managing Director



## Report on Corporate Governance

### (A) CORPORATE GOVERNANCE PHILOSOPHY

We stand committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value to the stakeholders. The Company is committed to transparency in all its dealings and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedication increasing long-term shareholder value, keeping in view the interests of the company's stakeholders.

### (B) BOARD COMPOSITION AND PARTICULARS OF DIRECTORS

The Composition of the Board of Directors of the Company is governed by the provisions of the Companies Act 1956, the Articles of Association of the Company and clause 49 of Listing Agreement with the Stock Exchanges. The Board has a current strength of six directors with a combination of executive and non-executive directors. Shri Ashok Kumar Bansal is Chairman-cum-Managing Director of the Company and Smt. Anju Bansal, Whole-Time Director, Mr. Ashwani Kumar Singla, Non-Executive Director and Mr. R.K. Pandey, Mr. Chander Shekher Batra and Col. Surinder Kumar Jain are Independent Directors, who

constitute 50% of the Board's composition.

During the year, Col. Surinder Kumar Jain was appointed as Non-Executive and Independent Director on March 24, 2010 and Mr. Gulshan Rai Jain resigned from the Board from March 24, 2010.

The Directors of the Company are eminent personalities with varied knowledge and experience in manufacturing, marketing, finance, banking, legal, management and commercial administration. The Board meets as often as required being not less than 4 times in a year.

#### (a) Number of Board Meetings held and the dates of the Board Meetings

The Board meets at least once in a quarter and 20 meetings were held during the financial year 2009-2010 on April 30, 2009, May 11, 2009, June 11, 2009, June 16, 2009, July 08, 2009, July 21, 2009, July 30, 2009, August 22, 2009, September 01, 2009, September 26, 2009, October 22, 2009, December 05, 2009, January 28, 2010, February 08, 2010, February 17, 2010, March 01, 2010, March 18, 2010, March 24, 2010, March 26, 2010 and March 30, 2010.

S. No.	Name of Director	Executive/ Non-Executive	No. of other Directorship*	Committee* Member/ Chairman	No. of Board Meeting attended	Attendance at the last A.G.M.
1.	Mr. Ashok Kumar Bansal	Promoter/Executive	09	2 (as member)	20	YES
2.	Smt. Anju Bansal	Promoter/Executive	08	1 (as member)	20	YES
3.	Mr. Ashwani Kumar Singla	Non-Executive	05	Nil	18	NO
4.	Mr. R.K. Pandey	Non-Executive & Independent	14	5 (as member) 4 (as chairman)	18	YES
5.	Mr. Gulshan Rai Jain (upto March 24, 2010)	Non-Executive & Independent	01	2 (as member) 1 (as chairman)	16	YES
6.	Mr. Chander Shekher Batra	Non-Executive & Independent	09	Nil	18	NO
7.	Col. Surinder Kumar Jain (w.e.f. March 24, 2010)	Non-Executive & Independent	Nil	1 (as member)	03	N.A.

\* includes private limited and foreign companies.

None of the non-executive independent Directors have any pecuniary relationship or transactions with Company or its Group nor hold any shares in the Company.

- Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement.

#### (b) Availability of Information to the Members of the Board

The Board has complete access to any information within the Company and to any of our employees. At meetings of the Board, it invites the auditors and managers who can provide additional insights into the items being discussed. The information supplied to the Board meetings include:

- Minutes of Audit Committee and Share Transfer / Investor Grievances Redressal Committee, as well as abstracts of circular resolutions passed.
- General Notice of interest of directors.
- Annual / quarterly budgets, capital budgets and updates.
- Quarterly / half yearly / annual financial results.
- Materially important litigations, show cause notices, demand, prosecution and penalty notices.

#### (c) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between us and our directors, management or relatives of directors except for those disclosed in the financial statements for the year ended on March 31 2010.

#### (d) Institutionalized Decision Making Process

With a view to institutionalize all corporate affairs and set up systems and procedures for advance planning for matters requiring discussion/ decisions by the Board, the Company has defined guidelines for the meetings of the Board and Committees thereof. These Guidelines seek to systematize the decision making process at the meetings of the Board / Committees in an informed and efficient manner.

**(e) Information to Board**

Agenda and Notes on Agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Agenda Papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled before the meeting with specific reference to this effect in the Agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted.

**(f) Annual disclosure of directors' interest as required under section 299 of the Companies Act 1956.**

Directors have furnished Notice of Disclosure of interest as required under section 299(1) of the Companies Act, 1956 for the year 2010-11. Any changes in their directorships / interest during the year would be disclosed to the Board as and when such change occurs. The Company maintains Register of Contracts, Companies and Firms in which Directors are interested as provided under section 301(1) of the Companies Act, 1956.

**(g) Recording Minutes of Proceedings at Board and Committee Meetings**

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board / Committee for their comments. The finalized minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

**(h) Post Meeting Follow-up Mechanism**

The Guidelines for Board and Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the decisions taken by the Board and Committees thereof. Action taken report on the decisions of the previous meetings(s) is placed at the immediately succeeding meeting of the Board/Committee for noting by the Board/Committee.

**(C) BOARD COMMITTEES**

Presently, the Board has three committees: the Audit Committee, Share Transfer / Investor Grievances Redressal Committee and Remuneration Committee. The Audit Committee consists one Executive Director and Two Independent Directors and Chairman of Audit Committee is Independent Director, whereas Share Transfer / Investor Grievances Redressal Committee consist of two executive directors and one non-executive independent director. Normally, the committees meet four times in a year, once in each quarter. The minutes of these committee meetings are submitted to the Board for approval / confirmation.

**(i) Audit Committee**

The Audit Committee comprises three directors, namely:

Shri R.K. Pandey (Chairman of the Committee)

Mr. Ashok Kumar Bansal

Mr. Gulshan Rai Jain (upto March 24, 2010)

Mr. Chander Shekher Batra (w.e.f. March 24, 2010)

Each member of the Audit Committee is able to read and understand fundamental financial statements as required under clause 49 of the Listing agreement. The Chairman of the Audit Committee is a financial expert, as specified under clause 49 of the Listing Agreement.

Shri R.K. Pandey is the Chairman of the Audit Committee. The Company Secretary is the Secretary to the Audit Committee.

The primary objective of the Audit Committee is to monitor and provide supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process by the management, the head of internal audit team and the statutory auditors and notes the process and safeguards employed by them.

The principal functions of the committee are:

- Oversight (supervision, direction and control) of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Discussion with the Auditors periodically about the internal control systems and the scope of audit including observations of the Auditors.
- Review of the quarterly and annual financial statements before submission to the Board focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications in draft report.
  - Significant adjustments arising out of audit.
  - Going concern assumption.
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
  - Any related party transactions, transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.
  - Ensure compliance of internal control systems.
  - Investigation into any of the afore-stated matters or as may be referred to by the Board.
  - Review of the Auditors' Report on the Financial Statements and to seek clarifications thereon, if required, from the Auditors.
  - Review of weaknesses in Internal Controls, if any and make recommendations relating thereto to the Board so as to ensure compliance of internal control systems.
  - To act as a link between the Statutory and the Internal Audit Team and the Board of Directors.
  - Any other matter which the Board of Directors may at its discretion assign to the Committee from time to time.

**Audit Committee Attendance:**

Five Audit Committee meetings were held during the financial year 2009-10. These Meeting were held on April 30, 2009, July 30, 2009, August 22, 2009, October 22, 2009 and January 28, 2010.

Members	No. of Meeting held	Attended
Shri R.K. Pandey	5	5
Shri Ashok Kumar Bansal	5	5
Shri Gulshan Rai Jain (Up to March 24, 2010)	5	5
Shri Chander Shekher Batra (w.e.f. March 24, 2010)	N.A.	N.A.

**(ii) Share Transfer / Investor Grievances Redressal Committee:**

The Share Transfer / Investor Grievances Redressal Committee are headed by an independent director and consist of the following directors:

Members	Designation
Shri Chander Shekher Batra	Chairman
Shri Ashok Kumar Bansal	Member
Smt. Anju Bansal	Member

Mr. Arvind Kumar Gupta, Company Secretary is the Compliance Officer for the Committee.

The Committee has the mandate to review and redress the shareholder grievances viz. non-receipt of refund orders, transfer and transmission of shares, non-receipt of annual reports, non-receipt of declared dividends etc., and redressal thereof.

Five Share Transfer / Investor Grievances Redressal Committee meetings were held during the financial year 2009-10 on April 30, 2009, June 11, 2009, November 13, 2009, February 17, 2010 and March 08, 2010.

Members	No. of Meeting held	Attended
Shri Gulshan Rai Jain (Up to March 24, 2010)	05	04
Shri Chander Shekher Batra (w.e.f. March 24, 2010)	N.A.	N.A.
Shri Ashok Kumar Bansal	05	05
Smt. Anju Bansal	05	05

**(iii) Remuneration Committee**

The Remuneration Committee consists of three members, all of whom are Non-Executive Independent Directors.

Members	Designation	Meeting held on 25.02.2010
Shri R.K. Pandey	Chairman	Present
Shri Gulshan Rai Jain (Up to March 24, 2010)	Member	Present
Col. Surinder Kumar Jain	Member	N.A.
Shri Chander Shekher Batra	Member	Present

Mr. Arvind Kumar Gupta, Company Secretary is the Compliance Officer for the Committee.

**(D) Remuneration of Directors**

The following directors have been paid Salary and / or sitting fee at the rate of Rs. 5,000 for attending each meeting of the Board for 2009-2010 as per details below:

(Rs. in lacs)

Name	Salary	Sitting Fees	Total
Mr. Ashok Kumar Bansal	119.25	-	119.25
Mrs. Anju Bansal	79.50	-	79.50
Mr. Ashwani Kumar Singla	-	0.90	0.90
Mr. R.K. Pandey	-	0.90	0.90
Mr. Gulshan Rai Jain	-	0.80	0.80
Mr. Chander Shekher Batra	-	0.90	0.90
Col. Surinder Kumar Jain	-	0.15	0.15
<b>Total</b>	<b>198.75</b>	<b>3.65</b>	<b>202.40</b>

**(E) Code of Business Conduct and Ethics for Directors and Senior Management**

In terms of Clause 49 of the Listing Agreement, the Company had adopted a code of conduct for the Board of Directors and senior management personnel of the Company. The Code has been circulated to all the members of the Board and senior management personnel and the compliance of the same is affirmed annually. The declaration signed by the Managing Director of the Company forms part of this report.

**Declaration by the Managing Director**

This is to confirm that the Company has adopted a code of conduct for its Board members and the senior management personnel.

I confirm that the Company has, in respect of the financial year ended March 31, 2010, received from the senior management personnel of the Company and the members of the Board, a declaration of compliance with the code of conduct as applicable to them.

Place : Noida  
Date : July 01, 2010

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**(F) Investor Complaint Status**

The following table shows the nature of complaints / correspondence received from the shareholders / investors during the financial year 2009-10, all of which have been resolved and at the end of year, there were no complaints pending unresolved/ unattended as on March 31, 2010:

Name	No. of Complaints		
	Received	Resolved	Pending
Direct	3	3	0
SEBI	1	1	0
Stock Exchange	0	0	0
Investor Association	0	0	0

### (G) GENERAL BODY MEETINGS AND EXTRA ORDINARY GENERAL MEETINGS

Details of last Annual General Meetings and Extra Ordinary General Meetings of the Company are detailed below:

#### ANNAUL GENERAL MEETINGS

Year	Venue / Location	Day, Date & Time
2007	E-93, 2nd Floor, G.K. Enclave, New Delhi-110048	Tuesday, August 28, 2007 10.00 A.M.
2008	Air Force Auditorium, Subroto Park, New Delhi-110010	Friday, September 26, 2008 10.00 A.M.
2009	Air Force Auditorium, Subroto Park, New Delhi - 110 010	Tuesday, September 27, 2009 04.00 P.M.

#### EXTRA ORDINARY GENERAL MEETINGS

Year	Venue / Location	Day, Date & Time
2009	Air Force Auditorium, Subroto Park, New Delhi-110010	Monday, May 24, 2010, 10.00 A.M.
2008	108-109, NSEZ, Noida - 201305 Uttar Pradesh	Monday, August 31, 2009, 2.00 P.M.

The following special resolutions were passed by the members during the above Extra Ordinary General Meetings:-

#### Extra Ordinary General Meeting held on May 24, 2010

- Preferential Allotment of Equity Shares of the Company to the Promoter and Promoter Group.
- Qualified Institutional Placement to Qualified Institutional Bidders Under Chapter VIII of The SEBI ICDR Regulations, 2009, as Amended

#### Extra Ordinary General Meeting held on August 31, 2009

- Increasing Borrowing Limits upto Rs.1500 Cr. through Postal Ballot.

#### Annual General Meeting held on September 22, 2009:

- Further Issue of Securities u/s 81 (1A)
- Increase of Authorised Capital from Rs.28.00 Cr. to Rs.40.00 Cr. and Change of Memorandum & Articles of Association.

#### Annual General Meeting held on September 26, 2008:

- Reverse earlier Consent of shareholders for shifting the Registered Office from Union Territory of Delhi to Uttar Pradesh.

#### Annual General Meeting held on August 28, 2007:

- Increase in Borrowing Limits u/s 293 (1) (d)
- Further Issue of Securities u/s 81 (1A)

### (H) POSTAL BALLOTS

During the year ended March 31, 2010, we considered and approved the special resolution through Postal Ballot on August 31, 2009 for creating security on any borrowing of the Company upto a limit not exceeding Rs.1500 Crores.

### (I) CEO/CFO CERTIFICATION

In accordance with the requirement of Corporate Governance Clause 49 (V) of the listing agreement, the Board of Directors of

the Company have been furnished with the requisite certificate from the C.F.O. / C.E.O. of the Company.

### (J) DISCLOSURES

- (i) Disclosures on Materially Significant Related Party Transactions

**The related party transactions during the year ended March 31, 2010 have been listed in the notes to the accounts. Shareholders may please refer the same.**

- (ii) Details of non-compliance by the Company and penalties and strictures imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any member related to capital markets.

**There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI or ROC etc. on any matters relating to the capital market since the date of listing of shares on the stock exchanges.**

### (K) MEANS OF COMMUNICATION

The quarterly / half yearly unaudited financial results are generally published in Business Standard (English & Hindi), Economic Times (English) & (Hindi). These results are also posted on the Company's website at [www.hanung.com](http://www.hanung.com).

Other information like shareholding pattern (quarterly), Corporate Governance Report, Memorandum, Annual Reports etc. are also posted on our website as soon as they are released / published.

### (L) DISCLOSURE REGARDING APPOINTMENT / REAPPOINTMENT OF DIRECTORS

According to the Articles of Association, one third of the directors retires by rotation and, if eligible, offers themselves for re-appointment at the Annual General Meeting of shareholders. Shri Ashwani Kumar Singla and Shri Chander Shekher Batra; will retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors.

Col. Surinder Kumar Jain appointed as Additional Director on March 24, 2010 and hold office until the ensuing Annual General Meeting. Notice has been received u/s 257 of the Companies Act, 1956, proposing his appointment as director.

The detailed resumes of the directors being appointed / reappointed at the Annual General Meeting are given below:-

#### (a) Mr. Ashwani Kumar Singla

Mr. Ashwani Kumar Singla, Non Executive Director, aged 39 years, a resident Indian national, joined our Company as a Director of the Company on November 27, 2006. He has completed his Bachelor of Engineering from Bangalore University. Mr. Ashwani Kumar Singla has huge experience in Printing Industry. Mr. Ashwani Kumar Singla did not hold any equity shares of the Company as on July 01, 2010.

Other Directorships	Committee Memberships
Name of Company	Name of Committee
Singla Engravures Pvt. Ltd. JPR Papers Pvt. Ltd. JPR Lasertech Pvt. Ltd. Hanung Retail Limited Hanung Infra and Power Ltd.	Nil

**(b) Mr. Chander Shekher Batra**

Mr. Chander Shekher Batra, 51 years, a resident Indian national, joined our Company as an Additional Director of the Company on February 17, 2009. He is a practicing Chartered Accountant and has completed his Bachelor of Science from Kurukshetra University. He is also director in 9 other Companies. Mr. Chander Shekher Batra did not hold any equity shares of the Company as on July 01, 2010.

Other Directorships	Committee Memberships
Name of Company	Name of Committee
Vansh Artcrafts Pvt. Ltd.	Nil
Jai Jagat Village Enterprises Pvt. Ltd.	
CSR Financial Management Consultants Pvt. Ltd.	
CNA Exports Pvt. Ltd.	
DAD Enterprises Pvt. Ltd.	
Metfoils India Ltd.	
Cool Developers Pvt. Ltd.	
Cool Projects Pvt. Ltd.	
Dev Bhumi Homes Pvt. Ltd.	

**c) Col. Surinder Kumar Jain, Independent Director**, aged 58 years, a resident Indian national, joined our Company as an Independent Director on March 24, 2010. Col. Jain is a post graduate in Industrial Engineering. & Operations Research from IIT Kharagpur and he is also hold Masters Degree in Personnel Management from Pune. He has

worked at many important designations in Government and Public Sectors. Col. Jain has over 33 years of experience in various fields. Presently, he is acting as a Principal of Gurukulam Institute of technical Education (Kohra-Bhura) Naraingarh, Col. Surinder Kumar Jain did not hold any equity shares of the Company as on July 01, 2010.

**(M) MANAGEMENT DISCUSSION & ANALYSIS**

The Management Discussion & Analysis is given separately in the Annual Report.

**(N) COMPLIANCE WITH NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT**

Clause 49 of the Listing Agreement requires us to obtain a certificate from either the Auditors or Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' Report. We have obtained a certificate to this effect and the same is given in this Annual Report.

The Clause further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosure of compliance of mandatory requirements and non-compliance of non-mandatory requirements shall be made in the section on Corporate Governance in the Annual Report. The status / extent of compliance of non mandatory requirements is as follows:-

S.No.	Non Mandatory Provision	Status
1.	Maintenance of Chairman's Office	Not Applicable as Chairman is executive Managing Director of the Company
2.	Independent Directors tenure not to exceed nine	Not adopted
3.	Remuneration Committee	Already constituted. Details given elsewhere in this report.
4.	Shareholders rights: Half yearly financial performance and summary of significant events may be sent to each household of shareholders	The said information is available on Company's website
5.	Audit qualifications: Company may move towards regime of unqualified financial statements.	Adopted
6.	Training of Board Members	All Board members are experts in their respective fields and are well aware of Company's business model and risk profile.
7.	Mechanism for evaluating non-executive Board Members	Not adopted
8.	Whistle Blower Policy	Not adopted

**(O) General Shareholders' Information**
**(i) Annual General Meeting**

Day, date and time : Monday, 26th July, 2010 at 04.00 P.M.  
 Venue : Air Force Auditorium, Subroto Park, New Delhi - 110 010

**(ii) Shareholding of Non-Executive Directors:-**

None of the Non-Executive Director holds any shares of the Company.

**(iii) Financial Calendar**

Indicative calendar of events for the financial year 2010-2011 excluding Extraordinary General Meetings, if any, is

as under:

First Quarter Financial Results (June 2010) : July, 2010  
 Second Quarter Financial Results (September 2010) : October, 2010  
 Third Quarter Financial Results (December 2010) : January, 2011  
 Fourth Quarter / Audited Financial Results (March 2011) : April/August, 2011  
 AGM for Financial year ended : By 30th Sep., 2011  
 31st March, 2011

**(iv) Book Closure**

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of Annual General Meeting from July 13, 2010 to July 16, 2010 (both days inclusive).

**(v) Listing on Stock Exchanges**

The Company's equity shares are listed at BSE / NSE and Addresses of the Stock Exchanges are as follows:-

Listing on Stock Exchanges
<b>Bombay Stock Exchange Limited (BSE)</b> Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI – 400 001, Maharashtra Phones : 91 - 22 - 22721233 / 34 Fax : 91- 22 - 22723677 / 22722082
<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), MUMBAI – 400 051, Maharashtra Phones : 91-22-26538100, Fax : 91-22-26598237/38
<b>The Stock Code of the Company's shares</b> BSE – 532770 NSE – HANUNG
<b>The ISIN for the Company's Equity Shares in De-mat Form</b> INE648H01013
<b>Depository Connectivity</b> NSDL and CDSL

**(vi) Listing Fee** : Paid for all the above exchanges for the year 2010-11.

**(vii) Registered Office** : E-93, 2nd Floor,  
 Greater Kailash Enclave,  
 Part-I, New Delhi-110048  
 Phones : 91-11-26241572  
 Fax : 91-11-26241822  
 Email : investor@hanung.com

**(viii) Corporate Identification Number** : L74999DL1990PLC041722

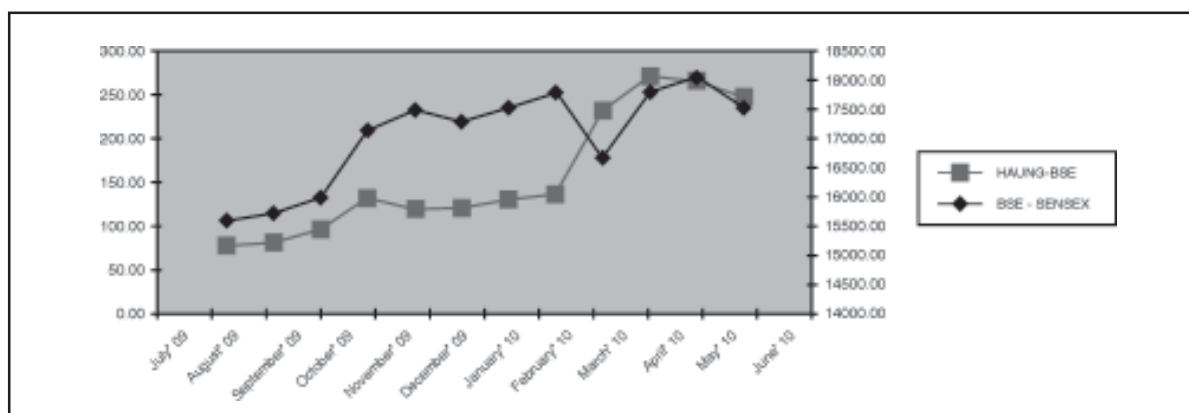
**(ix) Stock Market Data**

**(a)** Monthly high and low quotations along with volume of shares traded at BSE and NSE during July' 09 to July' 10 are as follows:-

Month	BSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)
July' 09	78.00	55.00	1153990
August' 09	81.50	67.50	1075387
September' 09	96.30	76.15	2158622
October' 09	132.30	88.00	3638031
November' 09	119.80	102.50	1276264
December' 09	121.00	105.15	1274464
January' 10	130.55	110.50	2743909
February' 10	136.50	113.10	1557976
March' 10	232.40	125.65	24426830
April' 10	271.60	185.00	19719021
May' 10	265.50	172.00	13402206
June' 10	248.00	197.10	12516928

Month	NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)
July' 09	78.50	55.00	2660662
August' 09	81.90	67.20	2267937
September' 09	95.80	75.55	4541792
October' 09	133.80	88.35	6878265
November' 09	119.00	103.00	2166923
December' 09	121.00	106.10	2824566
January' 10	130.50	111.30	6038144
February' 10	137.80	113.00	3062914
March' 10	231.90	125.50	40218955
April' 10	270.90	184.00	22676660
May' 10	265.80	167.00	16103344
June' 10	247.70	197.15	12958672

**(b)** Comparison of Hanung Toys and Textiles Limited scrip movement with Bombay Stock Exchange Limited (BSE) Index



**(c) Market Capitalization**

The market capitalization of the company as on March 31, 2010 is Rs.57378 Lacs and is Rs.61685 Lacs on June 30, 2010 on Bombay Stock Exchange Limited.

**(x) Shareholding Pattern**

Names of shareholders holding more than 1% with number of shares as on 31st March, 2010.

S.NO	DP ID	CLIENT ID / FOLIO	NAME OF THE HOLDER	SHARES	% TO EQT	CAT.
1	IN300484	12758596	HANUNG PROCESSORS PVT LTD	3552059	14.10 %	GOC
2	36800	1203680000015011	ABHINAV INTERNATIONAL PVT. LTD	2738000	10.87 %	GOC
3	36800	1203680000018367	ASHOK KUMAR BANSAL	2645418	10.50 %	PRO
4	IN300484	12798578	HANUNG FURNISHINGS PVT LTD	2498276	9.92 %	GOC
5	36800	1203680000018352	ANJU BANSAL	1888482	7.50 %	PRO
6	36800	1203680000020258	ASHOK KUMAR BANSAL (HUF)	1322150	5.252 %	PAC
7	35900	1203590000016351	GLOFIN INVESTMENT & FINANCE COMPANY PVT LTD	1258703	4.99 %	GOC
8	IN300167	10030184	SHINSEI UTI INDIA FUND (MAURITIUS) LIMITED	1122215	4.45 %	FII
9	IN300484	12792529	C K SOFTWARE PVT LTD	533540	2.11 %	GOC
10	IN301549	15416455	BENNETT, COLEMAN AND COMPANY LIMITED	500000	1.98 %	LTD
11	35900	1203590000024721	SPG FINSTOCK PVT LTD	436167	1.73 %	LTD
12	IN300812	10488917	UTI-EQUITY TAX SAVINGS PLAN	270000	1.07 %	MUT

**(xi) Distribution of Shareholding as on 31st March, 2010**

Shareholding of Nominal value of			Share Holders		Share Amount Nominal Value	
From	To		No of cases	% of cases	Amount	% of Amount
Upto	-	5000	11821	91.65 %	11621670	4.61 %
5001	-	10000	495	3.84 %	3941390	1.56 %
10001	-	20000	242	1.88 %	3712800	1.47 %
20001	-	30000	98	0.76 %	2542640	1.01 %
30001	-	40000	32	0.25%	1144860	0.45 %
40001	-	50000	39	0.30 %	1855680	0.74 %
50001	-	100000	69	0.53 %	5054210	2.01 %
100001	and	above	102	0.79 %	222006000	88.15 %
<b>TOTAL</b>			<b>12898</b>	<b>100 %</b>	<b>251879250</b>	<b>100 %</b>

**(xii) Share Transfer Process**

The Company's shares being in compulsory demat form are transferable through the depository system. The shares in physical form are processed by the Registrar and Transfer Agents and approved by the Share Transfer / Investor Grievances Redressal Committee. Share transfer process is reviewed by the Board on a periodical basis.

**(xiii) Dematerialization of Shares**

The equity shares of the company are available under dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in dematerialized form. Approximately 99.97% equity shares have been dematerialised as on March 31, 2010. Trading in equity shares of the Company is permitted only in dematerialised form as per the notification issued by the Securities and Exchange Board of India (SEBI).

**(xiv) Unclaimed dividend**

The unclaimed dividend, if any, which remain unclaimed for seven years is transferred to Investor Education and Protection Fund established by the Central Government under section 205 C of the Companies Act, 1956.

**(xv) ECS Mandate**

To service the Investors better, the Company requests all shareholders who hold shares in dematerialized form to update their bank particulars with their respective depositories immediately. Shareholders holding shares in the physical form may kindly forward the bank particulars to our Registrars to the address mentioned below.

**(xvi) Locations of Manufacturing Facilities**

The Company has many manufacturing facilities in various places as under:-

- (a) Plot No. 108-109, NSEZ, Phase –II, Noida-201305 (U.P.)



- (b) Plot No. 129-E, NSEZ, Phase-II, Noida-201305 (U.P.)
- (c) B-7, Hosiery Complex, Phase-II, Noida-201305 (U.P.)
- (d) A-21, Hosiery Complex, Phase-II, Noida-201305 (U.P.)
- (e) Khasra No. 265, Village Lakeshari, Sikanderpur near Bagwanpur, Roorkee, Dist. Haridwar, Uttrakhand-247661.
- (f) K-2-A & B, First Floor, Shree Arihant Compound, Village Koper, Taluka, Bhiwandi-421302 District Thane (Maharashtra).

(xvii) The Company and Registrar and Transfer Agent's Address for Correspondence Company:

For all grievance redressal and any query on Annual Report

**Secretarial Department**

Hanung Toys and Textiles Limited

108-109, NSEZ,

Noida-201305 (U.P.)

Phone : 91 - 120 - 4140200

Fax : 91 - 120 - 4140207, 3042099

Email: ak.gupta@hanung.com, investor@hanung.com

Website: www.hanung.com

**For queries relating financials:**

Chief Financial Officer

Hanung Toys and Textiles Limited

108-109, NSEZ, Noida-201305 (U.P.)

Phone : 91 - 120 - 4141200

Fax : 91 - 120 - 4140207, 3042099

Email: sandeep.agrwal@hanung.com

Website: www.hanung.com

**REGISTRAR AND TRANSFER AGENTS**

Investor Correspondence for Shares held in Physical & Demat Form

Karvy Computershare Private Limited

Unit: Hanung Toys & Textiles Limited

Plot No 17-24 Vittal Rao Nagar

Madhapur, Hyderabad - 500051

Phone : 040 - 23420815/ 816/ 817/818

Fax No : 040 - 23420814

Email: mailmanager@karvy.com

**For Hanung Toys and Textiles Limited**

Place : Noida

Date : July 01, 2010

**Ashok Kumar Bansal**

Chairman-cum-Managing Director



## Auditors' Certificate on Corporate Governance

To  
The Members of  
**Hanung Toys and Textiles Limited**

We have examined the compliance of Corporate Governance by Hanung Toys and Textiles Limited ("the Company"), for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances was pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer / Investor Grievances Redressal Committee.

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

**For ROHTAS & HANS**  
Chartered Accountants

Place : Noida  
Date : July 01, 2010

**Hans Jain**  
Partner  
Membership No.: 82912

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## CEO / CFO Certification

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief, we state that:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have disclosed wherever applicable to the auditors and the Audit committee
- (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- Yours Sincerely  
**For Hanung Toys and Textiles Limited**
- (Sandeep Agrawal)**  
Chief Financial Officer
- (Ashok Kumar Bansal)**  
Chairman-cum-Managing Director
- Place : Noida  
Date : July 01, 2010

## Management Discussion and Analysis

### OVERVIEW

Your company is engaged in the manufacturing of Stuffed Toys / Plush Toys and Home Furnishings. Since incorporation in 1990, your company has continued to do well. In the initial formative years, company gained immensely from its technical tie-up/ collaboration with South Korean company, Hanung Industrial Company Limited, as they helped in establishing well known Korean manufacturing practices and quality systems. After initial five years of collaboration, we have since been independently operating our manufacturing.

Our production units consist of toys manufacturing facility, home furnishing production facility and textile processing facility located at Noida, Roorkee & Bhiwandi.

Our toys manufacturing units are established in the Noida Special Economic Zone (NSEZ) wherein the benefits of duty free imports and single window clearance for imports/exports are available.

Our new production units in Roorkee and NSEZ enjoy 100% tax holiday for first five years.

### INTERNATIONAL MARKETING

Our major overseas markets are in Europe, USA, Latin America and Australia. We have been able to attract and retain known brand names as our customers in these markets. We serve these markets with stuffed toys and home furnishings. Our customers are large importers/ whole sellers who in turn service the respective retailers in their country. Our products are sold in over 30 countries. Our products are available with the leading, Tier One, top most retailers in the world. This includes some of the Finest International Brands, serviced and supplied by us.

We have acquired license to produce organic products in our factory. The demand for such products is increasing with the worldwide awareness for Eco friendly products.

We have created competence to strictly comply with stringent requirements of our customers and their inspecting agencies with respect to environmental issues, social issues and statutory compliances.

The company's business in the international market has continued its growth trajectory. During the year 9 new customers were added.

### DOMESTIC MARKET

Our products have wide acceptability in the domestic market. Our domestic brands — Play-n-Pets and Splash are available with all major retailers. A well established distribution network spreads across various towns. Our products are sold through a number of outlets. In the Stuffed Toys /Plush Toys category, our company is the market leader & has major share of the market. The company has taken lead by setting up Brand retail stores both in Home Furnishings as well as Stuffed toys / Plush toys.

### OPPORTUNITIES

The Company has aggregate home furnishings production capacity of 41 mn mtrs and toys production capacity of 27.5 mn pcs. As such the Company is geared up to reach to new level of operation in the ever changing global environment.

During the year, the Company has signed export order tie-up with leading US buyers, for exporting Home furnishing to the extent of USD 250 Million (About Rs.1,175 Crores) to be completed over three years.

### THREATS & RISK MITIGANTS

After the Global recession the world economies are now coming out of the recession but it will be a while before the stability sets in. The business environment is very challenging, as customers are cutting down on inventory level & making pricing competitive.

Rising food prices and the unprecedented increases in the prices of raw cotton are major concerns at the cost side.

The currency fluctuation is another risk, the country has been facing in view of the turbulence in global economy.

The challenges are considerable in managing costs and retaining market share. The Company recognizes these challenges and has initiated steps to reduce waste, increase productivity and create a sustainable marketing strategy. Your company has tried to retain the Customers by efficient cost management and by offering better prices to our Customers. By retaining its customers through the recession and growing business with them, your Company has recorded a healthy growth in both the top-line as well as the bottom-line

We are escalating productivity standard at low operative cost with the help of Modern Technology & Automated Machinery. This in turn is helping us in offering great value products to our customer at competitive pricing.

Now as recession is fading away & with government announcing stimulus packages in last union budget specially by way of pumping almost Rs. 4500 crores through Technology Up-gradation Fund Scheme(TUF) in textile sector , we feel there will be lots of opportunities in coming year.

### OPERATING RESULTS / FINANCIAL HIGHLIGHTS

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles (GAAP) in India. The management accepts the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a Gross Revenue of Rs. 85274 lakhs, out of which **75%** is in the form of foreign exchange. The Company posted a strong top line performance due to good order book. Profit before tax was at Rs. 9731 lakhs and net profit after tax stood at Rs. 9047 lakhs.

Earnings per equity share (face value Rs.10/-) was also higher from Rs. 25.59 to Rs. 35.92 on year on year basis.

Some of the key performance indications are given below:

(Rs. in lakhs)

Particulars	2009-2010	2008-2009
Gross revenue	<b>85274</b>	65307
Profit before tax (PBT)	<b>9731</b>	7376
Ratio of PBT to Gross revenue (%)	<b>11.41</b>	11.29
Profit after Tax (PAT)	<b>9047</b>	6445
Ratio of PAT to Gross revenue	<b>10.61</b>	9.87
Earnings per Share (EPS) (Rs.)	<b>35.92</b>	25.59

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUANCY**

The Company is committed to maintaining an effective system of internal control for facilitating accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well defined organization structure, authority levels and internal guidelines for conducting business transactions.

The Company has an Internal Audit Department to monitor and review all transactions independently to get higher level of efficiency. It reports directly to the Audit Committee, on quarterly basis. The Audit Department conducts audit of all key business areas as per the pre-drawn audit plan. All significant audit observations and follow up actions are reported to the Audit Committee along Internal Audit reports and management's responses/replies. The minutes of Audit Committee are reviewed by the Board for its suggestions/recommendations to further improve the internal control systems.

The Audit Committee periodically reviews audit plans, observations and recommendations of the internal audit department as well as external auditors with reference to significant risk areas and adequacy of internal controls.

#### **HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management and human asset refreshal are corner stones for the success of any organization.

As in the past, the industrial relations continue to remain cordial at all factories / units of the Company. The Company had **2452** employees as on March 31, 2010 as against **2349** employees as on March 31, 2009.

#### **CAUTION STATEMENT**

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Besides, the Company cannot guarantee that these assumptions and expectations are accurate or will be realized and actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.

## Auditors' Report

To  
 The Members of  
**HANUNG TOYS AND TEXTILES LTD.**

1. We have audited the attached Balance Sheet of HANUNG TOYS AND TEXTILES LTD., as at 31st March, 2010 and also the Profit and Loss account and the 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India 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.
4. Further to our comments in the Annexure referred to above, we report that :
  - (i) 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;
  - (ii) 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 those books of the Company.
  - (iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
  - (iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of representations made by the directors as on 31st March, 2010 and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes on Accounts in Schedule and those appearing elsewhere in the accounts, give the information required by the Companies Act, 1956, in the manner so required and give

a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010;
- (b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on the date.

For **ROHTAS & HANS**  
 Chartered Accountants

**Hans Jain**  
 Partner

Place : Noida  
 Date : July 01, 2010

Membership No.: 82912

### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE OF HANUNG TOYS AND TEXTILES LTD.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

1. (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us and according to the practice of the Company, all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us, discrepancies noticed, if any, on physical verification have been adjusted in the books of account.
- (c) During the year, the company has not disposed off a substantial part of its fixed assets so as to affect its going concern.
2. (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories, are in our opinion reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book stocks, if any, have been properly dealt with in the books of account;
3. According to the information and explanations given to us, the company has neither taken nor granted any loan, secured or unsecured, from/to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;

4. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness in the internal controls, had come to our notice;
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58 A and 58 AA of the Companies Act, 1956 and the rules framed thereunder ;
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956.
9. (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth Tax, Custom Duty, Excise-Duty, Cess and other statutory dues applicable to it.  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 2010 for a year of more than six months from the date they became payable.  
(c) According to the records of the company, there are no dues of Sale Tax, Income Tax, Customs Duty, Wealth-Tax, Excise Duty/Cess, which have not been deposited on account of any dispute.
10. The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both, in the financial year under report and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. As explained to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a Chit Fund or a Nidhi Mutual benefit Fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
14. According to the information and explanations given to us, the Company is not dealing or trading in Shares, Securities, Debentures and Other Investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
15. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institution.
16. According to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. 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 no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except core (permanent) working capital.
18. Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. According to the information and explanation given to us, no debentures have been issued by the Company during the year.
20. According to the information and explanation given to us, the Company has not raised any money by public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **ROHTAS & HANS**  
Chartered Accountants

**Hans Jain**  
Partner

Place : Noida  
Date : July 01, 2010

Membership No.: 82912

# Balance Sheet as at 31st March, 2010

PARTICULARS	Schedule	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	"A"	251,879,250	251,879,250
Reserves & Surplus	"B"	3,649,079,213	2,803,264,492
		<u>3,900,958,463</u>	<u>3,055,143,742</u>
Deferred Tax Liability		128,600,014	103,739,014
<b>LOAN FUNDS</b>			
Secured Loans	"C"	5,467,580,998	3,808,726,982
<b>TOTAL</b>		<u><u>9,497,139,475</u></u>	<u><u>6,967,609,738</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	"D"	3,899,714,161	2,811,314,676
Less : Accumulated Depreciation		403,245,135	231,735,678
Net Block		3,496,469,026	2,579,578,998
Add : Capital Work in Progress		257,767,653	4,469,657
		<u>3,754,236,679</u>	<u>2,584,048,655</u>
<b>INVESTMENTS</b>			
	"E"	41,622,900	59,271,702
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	"F"	4,627,531,994	3,672,176,285
Sundry Debtors		1,544,158,463	1,307,402,692
Cash & Bank Balances		478,716,343	116,720,761
Loans & Advances		253,982,738	282,741,968
		<u>6,904,389,538</u>	<u>5,379,041,706</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	"G"	1,009,590,370	936,440,917
Provisions		193,519,272	118,311,408
		<u>1,203,109,642</u>	<u>1,054,752,325</u>
<b>NET CURRENT ASSETS</b>		<u><u>5,701,279,896</u></u>	<u><u>4,324,289,381</u></u>
<b>TOTAL</b>		<u><u>9,497,139,475</u></u>	<u><u>6,967,609,738</u></u>
<b>Significant Accounting Policies and Notes on Accounts</b>			
	"Q"		

Schedules referred to above form an integral part of the Balance Sheet

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

# Profit and Loss Account for the Year Ended on 31st March, 2010



PARTICULARS	Schedule	2009-2010 Amount (Rs.)		2008-2009 Amount (Rs.)
<b>INCOME</b>				
Sales	"H"	8,368,518,968		6,376,090,629
Other Income	"I"	158,901,101		154,576,408
			<b>8,527,420,069</b>	<b>6,530,667,037</b>
Increase in Stocks	"J"		418,497,391	863,283,939
<b>TOTAL</b>			<b>8,945,917,460</b>	<b>7,393,950,976</b>
<b>EXPENDITURE</b>				
Manufacturing Overheads	"K"	6,816,335,290		5,855,473,637
Establishment Overheads	"L"	137,696,873		108,448,098
Administrative Overheads	"M"	98,129,939		71,011,427
Selling Overheads	"N"	243,802,798		177,497,100
Financial Overheads	"O"	496,503,685		329,040,539
Depreciation	"D"	172,211,279		113,061,605
<b>TOTAL</b>			<b>7,964,679,864</b>	<b>6,654,532,406</b>
<b>Net Profit before Tax &amp; Adjustment</b>			<b>981,237,596</b>	<b>739,418,570</b>
Prior Period Adjustment			8,096,800	1,850,550
<b>Net Profit before Tax</b>			<b>973,140,796</b>	<b>737,568,020</b>
Less : Provision for Tax				
— Income Tax		36,400,000		62,700,000
— Deferred Tax		24,861,000		28,963,000
— Fringe Benefit Tax		0		1,380,000
Less : Tax for earlier years		7,127,850		0
			<b>68,388,850</b>	<b>93,043,000</b>
<b>Net Profit after Tax</b>			<b>904,751,946</b>	<b>644,525,020</b>
Less: Proposed Dividend		50,375,850		37,781,888
Less: Provision for Dividend Tax		8,561,375		6,421,032
			<b>58,937,225</b>	<b>44,202,920</b>
<b>Surplus carried to Balance Sheet</b>			<b>845,814,721</b>	<b>600,322,100</b>
<b>Significant Accounting Policies and Notes on Accounts</b>				
	"Q"			

Schedules referred to above form an integral part of the Profit & Loss Accounts

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

**SCHEDULES TO THE BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>		
4,00,00,000 (Pr.Yr. 2,80,00,000) Equity Shares of Rs. 10/- each	<u>400,000,000</u>	<u>280,000,000</u>
<b>Issued, Subscribed &amp; Paid Up Capital</b>	<b>251,879,250</b>	<b>251,879,250</b>
2,51,87,925 (Pr.Yr. 2,51,87,925) Equity Shares of Rs.10/- each fully paid up. Of the above 51,17,330 (Pr.Yr. 51,17,330) Equity Shares allotted as fully paid up by way of Bonus Shares and 71,47,835 (Pr. Yr. 71,47,835) Equity Shares allotted as fully paid up pursuant to a contract without payment being received in cash.	<u>251,879,250</u>	<u>251,879,250</u>
<b>SCHEDULE "B"</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
Balance as per last year	<u>1,047,574,907</u>	<u>1,047,574,907</u>
	<b>1,047,574,907</b>	<b>1,047,574,907</b>
<b>General Reserve</b>		
Balance as per last year	<b>1,253,757,150</b>	<b>903,757,150</b>
Add : Amount transferred from Profit & Loss A/c	<u>350,000,000</u>	<u>350,000,000</u>
	<b>1,603,757,150</b>	<b>1,253,757,150</b>
<b>Profit &amp; Loss Account</b>		
Balance as per last year	<b>501,932,435</b>	<b>251,610,335</b>
Add : Surplus brought from Profit & Loss A/c	<b>845,814,721</b>	<b>600,322,100</b>
Less : Amount transferred to General Reserve	<u>350,000,000</u>	<u>350,000,000</u>
	<b>997,747,156</b>	<b>501,932,435</b>
<b>TOTAL</b>	<u><b>3,649,079,213</b></u>	<u><b>2,803,264,492</b></u>



**SCHEDULES TO THE BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
<b>I) TERM LOAN</b>		
(against First Pari-passu charge with other banks on present & future fixed assets of the company other than those exclusively financed by any other banks/ financial institutions & second pari-passu charge with other banks on all present & future current assets of the company & personal guarantee of Sh. A. K. Bansal & Smt. Anju Bansal, directors, their relatives & corporate guarantee of group companies / others - The loan is collaterally secured by equitable mortgage of land & building of associate concerns / others on pari-passu basis with other member banks.)		
<b>a) From State Bank of India</b>		
<b>Term Loan - I</b>	0	10,851,942
(Repayable in 25 quarterly instalments starting from April 04)		
<b>Term Loan - II</b>	0	3,637,601
(Repayable in 25 quarterly instalments starting from April 05)		
<b>Term Loan - III</b>	0	4,041,712
(Repayable in 25 quarterly instalments starting from Dec 05)		
<b>Term Loan - IV</b>	209,606,454	256,414,043
(Repayable in 26 equal quarterly instalments starting from June 08)		
<b>Term Loan - V</b>	440,740,937	0
(Repayable in 36 equal quarterly instalments starting from June 10)		
<b>b) From Syndicate Bank</b>		
<b>Term Loan - I</b>	0	7,202,071
(Repayable in 28 quarterly instalments starting from Dec 03)		
<b>Term Loan - II</b>	79,556,902	89,908,711
(Repayable in 28 quarterly instalments starting from June 08)		
<b>c) From Punjab National Bank</b>		
<b>Term Loan - II</b>	225,673,661	259,099,644
(Repayable in 28 quarterly instalments starting from June 08)		
<b>d) From Oriental Bank of Commerce</b>	142,593,533	170,163,150
(Repayable in 28 quarterly instalments starting from June 08)		
<b>e) From Karnataka Bank Ltd.</b>	201,265,164	100,035,616
(Repayable in 18 quarterly instalments starting from Dec 09)		
<b>f) From ICICI Bank Ltd.</b>	150,500,000	0
(Repayable in 18 quarterly instalments starting from June 10)		
<b>g) From Central Bank of India</b>	7,497,600	0
(Repayable in 18 quarterly instalments starting from Sept 10)		
<b>II) Foreign Currency Borrowings from ICICI Bank Ltd.</b>		
(against first charge on immovable & movable assets financed by the ICICI bank & personal guarantee of directors Sh. A.K. Bansal & Smt. Anju Bansal.)		
<b>Foreign Currency Loan</b>	35,463,158	48,539,474
(Repayable in 19 quarterly instalments starting from Sep 08)		
<b>External Commercial Borrowing</b>	106,389,474	160,168,420
(Repayable in 19 quarterly instalments starting from Sep 08)		
	<b>1,599,286,883</b>	<b>1,110,062,384</b>

**SCHEDULES TO THE BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>III) Working Capital Borrowings</b>		
(Comprising of Export Packing Credit, FDBP etc. from Banks, secured by hypothecation of stocks, book debts, bills and personal / corporate guarantee of wholetime directors / group company / others. The limits are also collaterally secured by immovable properties owned by directors and associate concerns / others. The loan is collaterally secured by way of equitable mortgage on pari-passu basis with other banks of all present & future fixed assets of the company.)		
Bank of Baroda	0	125,556,965
Punjab National Bank	827,648,993	729,902,463
State Bank of India	0	402,784,345
Syndicate Bank	330,696,457	249,310,370
Union Bank of India	359,996,706	248,255,227
Central Bank of India	846,917,016	271,493,512
Bank of India	539,812,037	0
Allahabad Bank	350,266,096	0
Karnataka Bank Ltd.	62,920,381	150,907,368
Barclays Bank PLC	0	114,656,061
SIDIBI	31,824,011	0
SICOM	150,000,000	0
Oriental Bank of Commerce	361,523,613	399,919,695
	<b>3,861,605,310</b>	2,692,786,006
Vehicle Loans (Against vehicles from Banks etc.)	6,688,805	5,878,592
<b>TOTAL</b>	<b>5,467,580,998</b>	<b>3,808,726,982</b>



**SCHEDULE OF FIXED ASSETS AS ON 31.03.2010**  
**SCHEDULE - "D"**

Amount (Rs.)

S. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OP. BAL. AS ON 01.04.2009	ADDITIONS	DELETIONS	TOTAL AS ON 31.03.2010	UPTO 31.03.2009	FOR THE YEAR	ON DELETIONS	UPTO 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009
1	LAND	249,367,196	21,343,500	0	270,710,696	0	0	0	0	270,710,696	249,367,196
2	BUILDING	679,375,340	0	0	679,375,340	26,317,274	22,691,136	0	49,008,410	630,366,930	653,058,066
3	PLANT AND MACHINERY	1,791,800,560	1,042,439,879	0	2,834,240,439	186,763,159	141,593,685	0	328,356,844	2,505,883,595	1,605,037,401
4	FURNITURE, FIXTURE & EQUIPMENTS	61,546,311	17,767,351	0	79,313,662	7,387,334	4,679,480	0	12,066,814	67,246,848	54,158,977
5	VEHICLES	29,225,269	8,392,245	1,543,490	36,074,024	11,267,911	3,246,978	701,822	13,813,067	22,260,957	17,957,358
	<b>TOTAL :</b>	<b>2,811,314,676</b>	<b>1,089,942,975</b>	<b>1,543,490</b>	<b>3,899,714,161</b>	<b>231,735,678</b>	<b>172,211,279</b>	<b>701,822</b>	<b>403,245,135</b>	<b>3,496,469,026</b>	<b>2,579,578,998</b>
	PREVIOUS YEAR :	1,599,108,525	1,212,765,017	558,866	2,811,314,676	118,679,890	113,061,605	5,817	231,735,678		
	CAPITAL WORK IN PROGRESS (including Advances & Pre-operative Expenses)									257,767,653	4,469,657
										3,754,236,679	2,584,048,655

**SCHEDULES TO THE BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "E"</b>		
<b>INVESTMENTS</b>		
<b>Quoted : (At Cost)</b>		
<b>a) Equity Share</b>		
Billpower Ltd.	0	188
Nil (Pr. Yr. 1) Equity Shares of Rs. 10/- Each		
Galaxy Entertainment Ltd.	0	253,519
Nil (Pr. Yr. 2914) Equity Shares of Rs. 10/- Each		
RAP Media Ltd.	0	4,779,801
Nil (Pr. Yr. 9500) Equity Shares of Rs. 10/- Each		
Wipro Ltd.	0	147,794
Nil (Pr. Yr. 600) Equity Shares of Rs 2/- Each		
	0	5,181,302
<b>b) Mutual Fund</b>		
Principal Infrastructure & Services Industries Fund-PNB Growth Plan	0	200,000
Nil (Pr. Yr. 19560) Units of Rs. 10.22 Each		
Principal PNB Long Term Equity Fund (3Year Plan)	0	500,000
Nil (Pr. Yr. 50000.00) Units of Rs. 10/- Each		
L144G SBI Infrastructure Funds - I - Growth 50000.00 Units of Rs. 10/- Each	500,000	500,000
L121G SBI One India Mutual Fund - Growth 150000.00 Units of Rs. 10/- Each	1,500,000	1,500,000
	2,000,000	2,700,000
<b>Unquoted : (At Cost)</b>		
<b>a) Group Companies</b>		
<b>Hanung Infra &amp; Power Ltd.</b>		
19,85,000 (Pr. Yr. 10000) Equity Shares of Rs. 10/- Each	19,850,000	100,000
Share Application Money	0	38,500,000
<b>Hanung Retail Ltd.</b>		
9,16,540 (Pr. Yr. 10000) Equity Shares of Rs. 10/- Each	9,165,400	100,000
Share Application Money	0	9,065,400
<b>Hanung (Shanghai) Ltd.</b>	6,982,500	35,997,900
	35,997,900	47,765,400
<b>b) Others</b>		
The Orissa Minerals Development Company Ltd. 100 Equity Shares of Rs. 10/- Each	1,759,964	1,759,964
Pilani Investments Industries Corporation Ltd. 500 Equity Shares of Rs. 10/- Each	1,865,036	1,865,036
	3,625,000	3,625,000
<b>TOTAL</b>	41,622,900	59,271,702
<b>Aggregate market value of quoted investment</b>	2,117,500	1,843,260

**SCHEDULES TO THE BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "F"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(As taken, valued and certified by the management)		
Raw materials (at cost & including Goods in Transit)	2,398,048,182	1,859,959,140
Packing materials (at cost)	9,497,545	10,728,269
Semi Finished Goods (at cost)	1,258,726,412	913,893,938
Finished Goods (lower of cost or net realisable value)	<u>961,259,855</u>	<u>887,594,938</u>
	<b>4,627,531,994</b>	<b>3,672,176,285</b>
<b>Sundry Debtors</b>		
(Unsecured, considered good)		
More than Six Months	0	0
Others	<u>1,544,158,463</u>	<u>1,307,402,692</u>
	<b>1,544,158,463</b>	<b>1,307,402,692</b>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	7,117,955	6,952,878
Balance with Scheduled Banks in C/A	272,248,301	23,540,298
Fixed Deposits with Banks	199,350,087	86,227,585
(Includes Pledged with Banks for Bank Guarantee / Letter of Credit)		
	<u>478,716,343</u>	<u>116,720,761</u>
	<b>478,716,343</b>	<b>116,720,761</b>
<b>Loans &amp; Advances</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	236,377,935	268,608,862
Security Deposits	10,428,184	5,932,746
Interest Accrued on FDRs	3,436,467	3,606,737
Prepaid Expenses	<u>3,740,152</u>	<u>4,593,623</u>
	<b>253,982,738</b>	<b>282,741,968</b>
<b>TOTAL</b>	<b><u>6,904,389,538</u></b>	<b><u>5,379,041,706</u></b>
<b>SCHEDULE "G"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	964,964,843	899,302,359
Other Liabilities	44,553,137	37,066,168
Item covered by Investor Education and Protection Fund		
Unpaid application money received by the company for allotment of securities and due for refund	<u>72,390</u>	<u>72,390</u>
	<b>1,009,590,370</b>	<b>936,440,917</b>
<b>PROVISIONS</b>		
Income Tax / Fringe Benefit Tax (Net)	134,582,046	74,108,488
Provision for Dividend	50,375,850	37,781,888
Provision for Dividend Tax	<u>8,561,376</u>	<u>6,421,032</u>
	<b>193,519,272</b>	<b>118,311,408</b>
<b>TOTAL</b>	<b><u>1,203,109,642</u></b>	<b><u>1,054,752,325</u></b>
<b>SCHEDULE "H"</b>		
<b>SALES</b>		
Export Sales	6,392,496,648	4,865,387,057
Inland Sales	<u>1,976,022,320</u>	<u>1,510,703,572</u>
<b>TOTAL</b>	<b><u>8,368,518,968</u></b>	<b><u>6,376,090,629</u></b>

**SCHEDULES TO THE PROFIT & LOSS ACCOUNT**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "I"</b>		
<b>OTHER INCOME</b>		
Export Incentive	114,922,299	115,757,197
Bank Interest	8,073,289	10,110,673
Other Income	35,905,513	28,708,538
<b>TOTAL</b>	<b>158,901,101</b>	<b>154,576,408</b>
<b>SCHEDULE "J"</b>		
<b>INCREASE IN STOCK</b>		
<b>Opening Stock</b>		
Semi Finished Goods	913,893,938	459,835,850
Finished Goods	887,594,938	478,369,087
<b>TOTAL (A)</b>	<b>1,801,488,876</b>	<b>938,204,937</b>
<b>Closing Stock</b>		
Semi Finished Goods	1,258,726,412	913,893,938
Finished Goods	961,259,855	887,594,938
<b>TOTAL (B)</b>	<b>2,219,986,267</b>	<b>1,801,488,876</b>
<b>INCREASE IN STOCK : (B) - (A)</b>	<b>418,497,391</b>	<b>863,283,939</b>
<b>SCHEDULE "K"</b>		
<b>MANUFACTURING OVERHEADS</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	1,821,917,430	977,982,112
Add : Purchases	6,675,390,874	6,112,002,574
Add: Processing Charges	78,430,065	120,722,566
	<b>8,575,738,369</b>	<b>7,210,707,252</b>
Less : Closing Stock	2,381,479,696	1,821,917,430
Consumed during the year	<b>6,194,258,673</b>	<b>5,388,789,822</b>
<b>Packing Materials Consumed</b>		
Opening Stock	10,728,269	4,646,317
Add : Purchases	122,315,775	129,537,499
	<b>133,044,044</b>	<b>134,183,816</b>
Less : Closing Stock	9,497,545	10,728,269
Consumed during the year	<b>123,546,499</b>	<b>123,455,547</b>
<b>Cost of Material Consumed</b>	<b>6,317,805,172</b>	<b>5,512,245,369</b>
<b>Other Manufacturing Costs</b>		
Consumable Goods	7,999,735	5,756,302
Design & Testing Charges	9,825,137	8,185,799
Direct Wages	136,081,950	100,372,060
Excise and Custom Duty	7,216,326	6,004,852
Factory Rent	6,112,493	4,692,814
Freight Inward	55,676,091	37,193,281
Job Work Charges	101,599,090	85,346,035
Power & Fuel	174,019,296	95,677,125
	<b>498,530,118</b>	<b>343,228,268</b>
<b>TOTAL</b>	<b>6,816,335,290</b>	<b>5,855,473,637</b>



## SCHEDULES TO THE PROFIT & LOSS ACCOUNT

<b>PARTICULARS</b>	<b>As At 31.03.2010 Amount (Rs.)</b>	<b>As At 31.03.2009 Amount (Rs.)</b>
<b>SCHEDULE "L"</b>		
<b>ESTABLISHMENT OVERHEADS</b>		
Directors' Remuneration	20,240,000	12,652,500
Salaries & Allowances	90,404,293	69,581,745
Provident Fund and ESI Contribution	16,853,801	13,986,480
Staff Welfare	10,198,779	12,227,373
<b>TOTAL</b>	<b>137,696,873</b>	<b>108,448,098</b>
<b>SCHEDULE "M"</b>		
<b>ADMINISTRATIVE OVERHEADS</b>		
Business Promotion	718,100	1,509,263
Cellular & Telephone Expenses	2,557,697	2,827,871
Courier, Postage and Telegram	4,519,061	4,112,235
ECGC Premium	16,918,595	8,671,155
Insurance Charges	7,094,485	7,173,255
General Expenses	1,769,134	1,832,821
Printing and Stationery	3,356,380	2,823,748
Professional & Legal Charges	11,494,369	9,620,003
Rent, Rates & Taxes	2,490,561	2,421,006
Repair and Maintenance	30,559,444	14,612,267
Security Watch and Ward Expenses	4,595,254	4,355,569
Local Conveyance	2,966,574	3,388,774
Travelling Directors	3,795,332	1,895,907
Travelling Others	5,294,953	5,767,553
<b>TOTAL</b>	<b>98,129,939</b>	<b>71,011,427</b>
<b>SCHEDULE "N"</b>		
<b>SELLING OVERHEADS</b>		
Advertisement and Publicity	6,043,102	21,695,302
Exchange Rate Fluctuation	153,207,867	72,634,506
Freight and Forwarding	75,934,978	75,679,842
Rebate, Discount and Commission	8,616,851	7,487,450
<b>TOTAL</b>	<b>243,802,798</b>	<b>177,497,100</b>
<b>SCHEDULE "O"</b>		
<b>FINANCIAL OVERHEADS</b>		
Interest to Bank - Term Loan	111,104,286	64,295,029
Interest to Bank - Working Capital	308,950,723	217,414,901
Interest on Vehicle Loans	612,889	796,068
Bank Charges	75,835,787	46,534,541
<b>TOTAL</b>	<b>496,503,685</b>	<b>329,040,539</b>

**CASH FLOW STATEMENT**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>A CASH FLOW FROM OPERATIVE ACTIVITIES</b>		
Profit before tax	981,237,596	739,418,570
<b>Adjustments for :</b>		
Depreciation	172,211,279	113,061,605
Interest and finance charges	496,503,685	329,040,539
Interest income	(8,073,289)	(10,110,673)
Dividend Income	(60,400)	(60,985)
(Profit) / Loss on disposal of investments	4,289,686	3,893,555
<b>Operating profit before working capital changes</b>	<b>1,646,108,557</b>	<b>1,175,242,611</b>
Adjustments for changes in working capital :		
Inventories (Increase) / Decrease	(955,355,709)	(1,712,963,600)
Debtors (Increase) / Decrease	(236,755,771)	(204,099,204)
Advances (Increase) / Decrease	28,759,230	37,314,378
Current Liabilities & Provisions Increase / (Decrease)	73,149,453	138,919,505
<b>Cash generated from operations</b>	<b>555,905,760</b>	<b>(565,586,310)</b>
Income tax (paid) / refund for earlier years	(7,127,850)	0
Income tax (paid) / refund	24,073,558	(111,414,457)
Extra Ordinary Items	(8,096,800)	(1,850,550)
<b>Net Cash from Operating Activities</b>	<b>564,754,668</b>	<b>(678,851,317)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for asset acquisition	(1,343,240,969)	(489,559,612)
Proceeds on sale of fixed assets	841,668	553,049
Purchase of investments	(6,982,500)	(150,000)
Sale / redemption of investments	20,341,615	3,847,313
Dividend received	60,400	60,985
<b>Net cash flow used in investing activities</b>	<b>(1,328,979,786)</b>	<b>(485,248,265)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term borrowing (net) Increase / (Decrease)	1,658,854,016	1,225,422,191
Interest and finance charges paid - net	(488,430,396)	(318,929,866)
Dividend paid and tax thereon	(44,202,920)	(44,202,920)
<b>Net cash flow from financing activities</b>	<b>1,126,220,700</b>	<b>862,289,405</b>
<b>Net cash inflow / (outflow)</b>	<b>361,995,582</b>	<b>(301,810,177)</b>
Opening cash and cash equivalents	116,720,761	418,530,938
Closing cash and cash equivalents	478,716,343	116,720,761
<b>Net increase / (decrease) in cash equivalents</b>	<b>361,995,582</b>	<b>(301,810,177)</b>

This is the Cash Flow Statement referred to in our report of even date

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010



**SCHEDULE – “P”  
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE  
ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis for Preparation of Financial Statements**

The financial statements have been prepared on the historical cost convention basis. The Generally Accepted Accounting Principles (GAAP) and the Accounting Standards referred under section 211(3C) of the Companies Act, 1956 have been adopted by the Company and disclosures made in accordance with the requirements of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards.

**2. Fixed Assets**

- a) Fixed assets are stated at costs, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.
- b) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

**3. Translation of Foreign Currency Items**

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current Assets and Current Liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain / loss is recognized in the Profit & Loss Account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets. The Forward Contract including derivatives contract entered into to hedge foreign currency risk on unexpected firm commitments and highly probable forecast transactions recognized in the financial statements accordingly as per Accounting Standards issued by the Institute of chartered Accountants of India, exchange difference arising on such contracts are recognized in the period in which they arise. Gain and losses arising on account of such transaction are recognized as income/ expenses in the Profit and Loss Account.

**4. Research and Development**

Revenue expenditure on Research & Development is included under the natural heads of expenditure. Capital expenditure on Research & Development is treated in the same manner as expenditure on other fixed assets.

**5. Valuation of Inventory**

- a) Closing stock of finished goods is valued at the lower of estimated cost or net realizable value.
- b) Closing stock of semi-finished goods is valued at estimated cost.
- c) Inventory of raw material and packing material is valued at cost.

**6. Investments**

Investments are valued at costs unless there is a permanent fall in their value as at the date of Balance Sheet.

**7. Retirement Benefits**

Encashment of accrued leave salary and retirement benefits to employees are provided on accrual basis.

**8. Contingent Liability**

Liabilities though contingent, are provided for if there are reasonable prospects of such liabilities maturing. The other Contingent Liabilities, which are not acknowledged as debt are disclosed by way of note, but claims of frivolous nature are ignored. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**9. Revenue Recognition**

- a. Sales are inclusive of excise duty / customs duty and net of trade discounts. Export sales include goods invoiced against confirmed orders and cleared from excise and customs authorities.
- b. Export incentives receivable on exports made during the year, are recognized as income.
- c. Other items of revenue including export benefits are recognized in accordance with the Accounting Standard (AS-9). Accordingly, wherever there are uncertainties in the ascertainment / realization of income such as interest from customers, the same is not accounted for.

**10. Taxes on Income**

- a. Provision for current income tax is made on the basis of the estimated taxable income for the current accounting year computed in accordance with the provisions of the Income Tax Act, 1961.
- b. Deferred tax is recognized on timing difference between the income accounted in financial statements and taxable income for the year, and quantified using tax rates and laws enacted or substantively enacted as on the Balance Sheet date are accounted for on the basis of Accounting Standard (AS-22)

**11. Borrowing Costs**

Borrowing costs directly attributable to acquisition, construction and production of assets are capitalized as a part of the cost of such asset up to the date of completion. Other borrowing costs are recognized as expenses in the period in which they are incurred and charged to the Profit & Loss Account.

**12. Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that any asset including goodwill, may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to Profit & Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

**13. Segment accounting**

Segment accounting policies are in line with the accounting policies of the company. In addition, the following specific accounting policies have been followed for segment reporting:

- a. Segment revenue includes sales and other income directly identifiable with/ allocable to the segment.
- b. Expenses that are directly identifiable with / allocable to segment are considered for determining the segment results.

c. Segment assets and liabilities include those directly identifiable with respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

## B. NOTES TO ACCOUNTS

1. Comparative figures for the previous year have been regrouped, recast and re-arranged wherever necessary, so as to make them comparable with the current year's figures.
2. Debtors, Creditors and Advances are subject to confirmation.
3. Loans and Advances include:
  - (i) Dues from subsidiary company Hanung (Shanghai) Ltd. is Rs. 71.18 Lacs (Previous year Rs. Nil). The maximum amount due from the company during the year was Rs. 71.18 Lacs (Previous year Rs. Nil).
  - (ii) Dues from companies under the same management or companies in which any of the directors are interested is Praneet Softech Pvt Ltd Rs. 1.40 Lacs (Previous Year Rs. 58.67 Lacs). The maximum amount due from the company during the year was Rs. 121.17 Lacs (Previous Year Rs. 61.69 Lacs).
4. In the opinion of Board of Directors, the Current Assets, Loans and Advances have value on realization in ordinary course of business, at least equal to the amount at which they are stated

except as expressly stated otherwise.

5. Based on the information / documents available with the Company, Sundry Creditors include total outstanding dues to Small Scale Industrial undertakings Rs. 98.71 Lacs (Previous Year Rs. 168.30 Lacs) of which
  - a. Amount overdue on account of principal and / or interest is NIL
  - b. Name of the Parties to whom the company owes any sum outstanding for more than thirty days but not overdue as per the information available with the company are :  
Chaudhary Lables Pvt. Ltd., J J Foams Pvt Ltd, Malwa Leather Components Pvt. Ltd., Printografik, Technotek Industries, Ginni Spectra Pvt. Ltd., Palak Tapes Pvt. Ltd., Lace India Co, D.M. Enterprises, Sun Glow manufacturing Pvt Ltd., Chenab Packs Pvt. Ltd.
6. The Accounting Standard (AS-22) for accounting of deferred income tax has become applicable on the company w.e.f. 01.04.2002. Accordingly, provision for deferred tax liability has been made in accordance with the Accounting Standard (AS-22).
7. Establishment Overheads include payments and provisions of remuneration to whole-time directors of Rs 198.75 Lacs (previous year Rs. 125.40 Lacs) and directors' sitting fee of Rs. 3.65 Lacs (previous year Rs. 1.12 Lacs).

*(Amount in Lacs)*

Particulars	2009-2010	2008-2009
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### 8 Remuneration to Auditors

Audit Fee	5.00	5.00
Other Services	2.80	0
Re-imburement of Expenses	2.00	2.00

### 9. CIF Value of Imports

Raw Material and Freight	29847.65	24417.27
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### 10. Expenditure in Foreign Currency

Machinery	7311.07	103.16
Raw Materials	29762.33	24355.00
Travelling Expenses	18.05	16.84
Others	192.09	168.04

### 11. Earning in Foreign Exchange (on Fob basis)

Stuffed Toys etc	26360.28	21083.83
Sheet Set, Duvet, Curtain etc	37564.69	27570.04

### 12. Value of Imported and indigenous raw materials, stores and spares purchased with their percentages

	Amount	%	Amount	%
Imported	29762.33	43.78	24355.00	39.02
Indigenous	38214.74	56.22	38060.40	60.98
<b>Total</b>	<b>67977.07</b>	<b>100.00</b>	<b>62415.40</b>	<b>100.00</b>

Particulars	2009-2010	2008-2009
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**13. Contingent Liabilities**

Bank Guarantees	1.12	1.12
Letters Of Credit	6371.75	2270.03
Bills Discounted	4764.00	781.55
Capital Commitment	437.64	74.88

**14. Particulars in respect of installed capacities etc**

Class of Goods	Unit	Capacity Licensed	Capacity Installed	Production 2009 – 2010	Production 2008 – 2009
Stuffed Toys	Pcs	N. A.	275,00,000	3,03,98,945	2,70,53,003
Sheet set, Duvet set, Comforter set	Sets	N. A.	68,50,000	30,65,879	24,33,804
Curtains, Cushions, Sham, Pillow Covers etc	Pcs	N. A.		46,19,208	41,95,741

The figures of installed capacity are on single shift working basis and are as certified by the management and not verified by the auditors, being a technical matter.

**15. Particulars in respect of opening stock, purchase, consumption, sale and closing stock for each class of goods dealt with by the company: (Amount in Lacs)**

Particulars	Qty Unit	2009-2010		2008-2009	
		Quantity	Amount	Quantity	Amount
<b>Opening Stock</b>					
Fabric	Mtrs	14,138,398	18,006.52	7,249,012	9,544.05
Cotton Yarn	Kgs	—	—	—	—
P S F	Kgs	90,562	45.17	108,252	55.92
Chemicals & Dyes	—	—	59.03	—	99.13
Other Items		—	108.45	—	80.72
Packing Material		—	107.28		46.46
Stuffed Toys	Pcs	4,354,128	3,527.40	2,352,421	2,096.43
Sheet Sets / Duvets / Mattress Covers	Sets	479,787	5,049.41	219,479	2,487.97
Curtains / Quilts / Sham / Pillow Covers	Pcs	136,764	299.13	88,566	199.30
Semi Finished / W I P		—	9,138.94		4,598.36
<b>Purchases</b>					
Fabric	Mtrs	45,051,108	56,845.59	46,269,605	58,616.19
Cotton Yarn	Kgs	3,399,412	6,861.97	—	—
P S F	Kgs	2,289,370	1,137.42	2,069,974	1,030.55
Chemicals & Dyes		—	1,467.92	—	994.86
Other Items		—	441.02	—	478.43
Packing Material		—	1,223.16	—	1,295.37
<b>Consumption</b>					
Fabric	Mtrs	40,906,138	51,726.66	39,380,219	50,153.72
Cotton Yarn	Kgs	3,248,709	6,557.76	—	—
P S F	Kgs	2,141,004	1,063.86	2,087,664	1,041.30
Chemicals & Dyes		—	1,373.05	—	1,034.96
Other Items		—	436.95	—	450.70
Packing Material		—	1,235.46	—	1,234.56

Particulars	Qty Unit	2009-2010		2008-2009	
		Licensed	Installed	Licensed	Installed
<b>Production</b>					
Stuffed Toys	Pcs	30,398,945		27,053,003	
Sheet Sets / Duvets / Mattress Covers	Sets	3,065,879		2,433,804	
Curtains / Quilts / Sham / Pillow Covers	Pcs	4,619,208		4,195,741	—
Fabric	Mtrs	8,933,950		—	
<b>Sales</b>					
Stuffed Toys	Pcs	31,395,285	33,334.25	25,051,296	25,591.39
Sheet Sets / Duvets / Mattress Covers	Sets	2,947,198	37,775.80	2,173,496	27,330.70
Curtains / Quilts / Sham / Pillow Covers	Pcs	4,521,225	11,941.72	4,147,543	10,838.81
Processed & Grey Fabrics	Mtrs	484,081	633.42	—	—
<b>Closing Stock</b>					
Fabric	Mtrs	18,283,368	23,125.44	14,138,398	18,006.52
Cotton Yarn	Kgs	150,703	304.21	—	—
P S F	Kgs	238,928	118.72	90,562	45.17
Chemicals & Dyes		—	153.90	—	59.03
Other Items		—	112.52	—	108.49
Packing Material		—	94.98	—	107.28
Stuffed Toys	Pcs	3,357,788	2,832.27	4,354,128	3,527.40
Sheet Sets / Duvets / Mattress Covers	Sets	598,468	6,273.26	479,787	5,049.41
Curtains / Quilts / Sham / Pillow Covers	Pcs	234,747	507.07	136,764	299.13
Semi Finished / W I P			12,587.26	—	9,138.94

Fabric, Cotton Yarn, P.S.F., Chemical & Dye, Packing Material and other items are classified as Raw Materials and Stuffed Toys, Sheet Sets / Duvets / Mattress Covers, Curtains / Quilts / Sham / Pillow Covers as Finished Goods.

## 16. SEGMENT INFORMATION

The Company is principally engaged in the business of Toys and Home Furnishings. Accordingly there are two reportable segments as per Accounting Standard (AS 17) issued by the Institute of Chartered Accountant of India on 'Segment Reporting', which have been disclosed below.

Particulars	Stuff Toys		Home Furnishings		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>I. Primary Segment Business</b>						
<b>a Segment Revenue</b>						
Sales to External Customers excluding						
Export Benefits	33,334.25	25,591.39	50,350.95	38,169.51	83,685.20	63,760.90
Other Income including Export Benefits	394.54	254.24	1,194.47	1,291.52	1,589.01	1,545.76
Total Segment Revenue	33,728.79	25,845.63	51,545.42	39,461.03	85,274.21	65,306.66
<b>b Segment Result</b>						
Profit before Financial Overheads, Income Tax and exceptional Items	6,612.07	5,018.77	8,165.35	5,665.83	14,777.42	10,684.60
Less : Interest and Finance Charges	1,863.33	1,126.90	3,101.70	2,163.51	4,965.03	3,290.41
Profit before Income Tax and exceptional Items	4,748.74	3,891.87	5,063.65	3,502.32	9,812.39	7,394.19

Particulars	Stuff Toys		Home Furnishings		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Less : Exceptional Items (Prior Period Expenses / Income)	8.05	7.96	72.92	10.55	80.97	18.51
Profit before Tax	4,740.69	3,883.91	4,990.73	3,491.77	9,731.42	7,375.68
Provision for Current Tax	—	—	—	—	435.28	640.80
Provision for Deferred Tax	—	—	—	—	248.61	289.63
Profit after Tax	4,740.69	3,883.91	4,990.73	3,491.77	9,047.53	6,445.25
<b>c Segment Assets</b>						
Carrying Amount Allocated	8,700.01	6,773.82	26,264.67	19,021.96	34,964.68	25,795.78
Unallocated Assets	—	—	—	—	72,037.80	54,427.83
<b>Total Assets</b>	<b>8,700.01</b>	<b>6,773.82</b>	<b>26,264.67</b>	<b>19,021.96</b>	<b>107,002.48</b>	<b>80,223.61</b>
<b>d Segment Liabilities</b>						
Carrying Amount Allocated	300.73	363.06	158.19	8.32	458.92	371.38
Unallocated Liabilities	—	—	—	—	67,533.98	49,300.80
Total Liabilities	300.73	363.06	158.19	8.32	67,992.90	49,672.18
<b>e Cost of Fixed Assets Acquired</b>						
Allocated Fixed Assets Acquired	2,340.59	2,021.09	8,558.84	10,106.56	10,899.43	12,127.65
Unallocated Fixed Assets	—	—	—	—	—	—
<b>Total Fixed Assets acquired</b>	<b>2,340.59</b>	<b>2,021.09</b>	<b>8,558.84</b>	<b>10,106.56</b>	<b>10,899.43</b>	<b>12,127.65</b>
<b>f Depreciation / Amortization</b>						
Allocated	405.99	351.01	1,316.13	779.60	1,722.12	1,130.61
Unallocated	—	—	—	—	—	—
<b>II. Secondary Segment – Geographical</b>						
Export Revenues	26,360.28	21,083.82	37,564.69	27,570.04	63,924.97	48,653.86
Domestic Revenues	6,973.97	4,507.57	12,786.26	10,599.47	19,760.23	15,107.04
<b>Total</b>	<b>33,334.25</b>	<b>25,591.39</b>	<b>50,350.95</b>	<b>38,169.51</b>	<b>83,685.20</b>	<b>63,760.90</b>

The Company's operating facilities are located in India

## 17. Related Party Transactions

As per AS-18, the Company's related parties and transactions with them are disclosed below

### A. Related Parties

- |                              |   |
|------------------------------|---|
| (a) Subsidiary Company       | 1 Hanung (Shanghai) Ltd.  |
| (b) Associate Companies      | 1. Hanung Furnishings Private Limited<br>2. Hanung Processors Private Limited<br>3. Parneet Softech Private Limited<br>4. C K Software Private Limited<br>5. Abhinav International Private Limited<br>6. Hanung Retail Limited<br>7. Hanung Infra & Power Limited<br>8. Glofin Investment & Finance Co. Private Limited |
| (c) Key Management Personnel | 1. Mr. Ashok Kumar Bansal (Chairman & Managing Director)<br>2. Mrs. Anju Bansal (Director)<br>3. Col. Ashok Malhotra<br>4. Mr. Arvind Kumar Gupta<br>5. Mr. Sandeep Agrawal<br>6. Mr. Vijay Grover<br>7. Mr. Sunil Duggal   |

**B. Transactions with Related Parties**

(Amount in Lacs)

Sl.No.	Nature of Transaction	Subsidiary Companies		Associate Companies		Key Management Personnel	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
1.	Purchase of Goods & Services	Nil	Nil	7.92	7.28	0.36	0.36
2.	Sale of Goods & Services	Nil	Nil	19.86	94.99	Nil	NIL
3.	Advance Outstanding	71.18	Nil	1.40	58.67	NIL	NIL
4.	Managerial Remuneration	NIL	Nil	Nil	Nil	224.48	186.50
5.	Dividend	NIL	Nil	149.61	139.83	68.13	68.13
6.	Subscription to share capital	69.83	Nil	Nil	Nil	Nil	Nil

**18. Earning Per Equity Share**

Basic Earning Per Share	31.03.2010	31.03.2009
Profit after tax as per Profit and loss account (In Rs. Lacs)	9047.52	6445.25
Weighted Average Number of Equity Shares Outstanding	2,51,87,925	2,51,87,925
Basic Earning per Share (Face Value Rs.10/-)	35.92	25.59

**19. Take Over of Business under Slump Sale Agreement**

Some of the immovable properties acquired by the company under the agreement of slump sale are being registered in the name of the company.

20. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2010.

21. Schedules "A" to "P" form an integral part of the Balance Sheet and Profit and Loss Account and have been duly authenticated.

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**
**I. REGISTRATION DETAILS :**

Registration No.	<input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="2"/>	State Code	<input type="text" value="5"/> <input type="text" value="5"/>
Balance Sheet date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/>		

**II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)**

Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSAND)**

Total Liabilities	<input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="9"/>	Total Assets	<input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="9"/>
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**Sources of Funds**

Paid up Capital	<input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="9"/>	Reserve and Surplus	<input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/>
Secured Loans	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="0"/>	Unsecured Loans	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

**Application of Funds**

Net Fixed Assets	<input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="7"/>	Investments	<input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="2"/>
Net Current Assets	<input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/>	Misc. Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

**IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)**

Turnover	<input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="0"/>	Total Expenditure	<input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="9"/>
<input type="checkbox"/> + <input type="checkbox"/> - Profit/Loss Before Tax	<input type="checkbox"/> + <input type="checkbox"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="1"/>	Profit/Loss After Tax	<input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="2"/>

(Please tick appropriate box+for profit-for loss)

Earning per share in Rs.	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="9"/> <input type="text" value="2"/>	Dividend rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/>
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**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY ( AS PER MONETARY TERMS)**

Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Product description	<input type="text" value="M"/> <input type="text" value="A"/> <input type="text" value="N"/> <input type="text" value="U"/> <input type="text" value="F"/> <input type="text" value="A"/> <input type="text" value="C"/> <input type="text" value="T"/> <input type="text" value="U"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="G"/> <input type="text" value="T"/> <input type="text" value="O"/> <input type="text" value="Y"/> <input type="text" value="S"/> <input type="text" value="A"/> <input type="text" value="N"/> <input type="text" value="D"/> <input type="text" value="F"/> <input type="text" value="U"/> <input type="text" value="R"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="S"/> <input type="text" value="H"/> <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="G"/> <input type="text" value="S"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

## Consolidated Auditors' Report

### AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HANUNG TOYS & TEXTILES LTD. AND ITS SUBSIDIARY

1. We have audited the attached Consolidated Balance Sheet of 'the Hanung Toys & Textiles Ltd. Group' as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated 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.
2. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on 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. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of Rs. 68.71 lacs as at March 31, 2010 total revenues of Rs. Nil for the year ended on that date. These financial statements have been audited by another auditor whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary company is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS)21 Consolidated Financial Statements specified by the Companies (Accounting Standards) Rules, 2006 notified by the Central Government and on the basis of the separate audited financial statements of the Hanung Toys and Textiles Ltd. Group included in the consolidated financial statements.
5. In our opinion and to the best of our information and explanations given to us and on consideration of the separate audit report on individual audited financial statements of the Hanung Toys and Textiles Ltd. Group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Hanung Toys and Textiles Ltd. Group as at March 31, 2010;
  - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Hanung Toys and Textiles Ltd. Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Hanung Toys and Textiles Ltd. Group for the year ended on that date.

For **ROHTAS & HANS**  
Chartered Accountants

**(Hans Jain)**

Partner

Membership No.: 82912

Place : Noida  
Date : July 01, 2010



# Consolidated Balance Sheet as at 31st March, 2010



PARTICULARS	Schedule	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	"A"	251,879,250	251,879,250
Reserves & Surplus	"B"	3,642,125,455	2,803,264,492
		<b>3,894,004,705</b>	<b>3,055,143,742</b>
Deferred Tax Liability		128,600,014	103,739,014
<b>LOAN FUNDS</b>			
Secured Loans	"C"	5,467,580,998	3,808,726,982
<b>TOTAL</b>		<b>9,490,185,717</b>	<b>6,967,609,738</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	"D"	3,900,144,203	2,811,314,676
Less : Accumulated Depreciation		403,269,257	231,735,678
Net Block		3,496,874,946	2,579,578,998
Add : Capital Work in Progress		257,767,653	4,469,657
		<b>3,754,642,599</b>	<b>2,584,048,655</b>
<b>GOODWILL ON CONSOLIDATION</b>			
		246,572	
<b>INVESTMENTS</b>			
	"E"	34,640,400	59,271,702
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	"F"	4,627,531,994	3,672,176,285
Sundry Debtors		1,544,158,463	1,307,402,692
Cash & Bank Balances		485,181,226	116,720,761
Loans & Advances		246,915,073	282,741,968
		<b>6,903,786,756</b>	<b>5,379,041,706</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	"G"	1,009,611,338	936,440,917
Provisions		193,519,272	118,311,408
		<b>1,203,130,610</b>	<b>1,054,752,325</b>
<b>NET CURRENT ASSETS</b>		<b>5,700,656,146</b>	<b>4,324,289,381</b>
<b>TOTAL</b>		<b>9,490,185,717</b>	<b>6,967,609,738</b>
<b>Significant Accounting Policies and Notes on Accounts</b>			
	"Q"		

Schedules referred to above form an integral part of the Consolidated Balance Sheet

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

# Consolidated Profit and Loss Account for the Year Ended on 31st March, 2010



PARTICULARS	Schedule	2009-2010 Amount (Rs.)	2008-2009 Amount (Rs.)
<b>INCOME</b>			
Sales	"H"	8,368,518,968	6,376,090,629
Other Income	"I"	158,901,101	154,576,408
		<b>8,527,420,069</b>	<b>6,530,667,037</b>
Increase in Stocks	"J"	418,497,391	863,283,939
<b>TOTAL</b>		<b>8,945,917,460</b>	<b>7,393,950,976</b>
<b>EXPENDITURE</b>			
Manufacturing Overheads	"K"	6,816,335,290	5,855,473,637
Establishment Overheads	"L"	140,267,795	108,448,098
Administrative Overheads	"M"	102,240,711	71,011,427
Selling Overheads	"N"	244,008,611	177,497,100
Financial Overheads	"O"	496,545,814	329,040,539
Depreciation	"D"	172,235,401	113,061,605
<b>TOTAL</b>		<b>7,971,633,622</b>	<b>6,654,532,406</b>
<b>Net Profit before Tax &amp; Adjustment</b>		<b>974,283,838</b>	<b>739,418,570</b>
Prior Period Adjustment		8,096,800	1,850,550
<b>Net Profit before Tax</b>		<b>966,187,038</b>	<b>737,568,020</b>
Less : Provision for Tax — Income Tax		36,400,000	62,700,000
— Deferred Tax		24,861,000	28,963,000
— Fringe Benefit Tax		0	1,380,000
Less : Tax for earlier years		7,127,850	0
<b>Net Profit after Tax</b>		<b>897,798,188</b>	<b>644,525,020</b>
Less: Proposed Dividend		50,375,850	37,781,888
Less: Provision for Dividend Tax		8,561,375	6,421,032
		<b>58,937,225</b>	<b>44,202,920</b>
<b>Surplus carried to Balance Sheet</b>		<b>838,860,963</b>	<b>600,322,100</b>
<b>Significant Accounting Policies and Notes on Accounts</b>			
	"Q"		

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

<b>PARTICULARS</b>	<b>As At 31.03.2010 Amount (Rs.)</b>	<b>As At 31.03.2009 Amount (Rs.)</b>
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>		
4,00,00,000 (Pr.Yr. 2,80,00,000) Equity Shares of Rs. 10/- each	<u>400,000,000</u>	<u>280,000,000</u>
<b>Issued, Subscribed &amp; Paid Up Capital</b>		
2,51,87,925 (Pr.Yr. 2,51,87,925) Equity Shares of Rs.10/- each fully paid up. Of the above 51,17,330 (Pr.Yr. 51,17,330) Equity Shares allotted as fully paid up by way of Bonus Shares and 71,47,835 (Pr. Yr. 71,47,835) Equity Shares allotted as fully paid	<u>251,879,250</u>	<u>251,879,250</u>
	<u>251,879,250</u>	<u>251,879,250</u>
<b>SCHEDULE "B"</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
Balance as per last year	<u>1,047,574,907</u>	<u>1,047,574,907</u>
	<b>1,047,574,907</b>	<b>1,047,574,907</b>
<b>General Reserve</b>		
Balance as per last year	<u>1,253,757,150</u>	<u>903,757,150</u>
Add : Amount transferred from Profit & Loss A/c	<u>350,000,000</u>	<u>350,000,000</u>
	<b>1,603,757,150</b>	<b>1,253,757,150</b>
<b>Profit &amp; Loss Account</b>		
Balance as per last year	<u>501,932,435</u>	<u>251,610,335</u>
Add : Surplus brought from Profit & Loss A/c	<u>838,860,963</u>	<u>600,322,100</u>
Less : Amount transferred to General Reserve	<u>350,000,000</u>	<u>350,000,000</u>
	<b>990,793,398</b>	<b>501,932,435</b>
<b>TOTAL</b>	<u><b>3,642,125,455</b></u>	<u><b>2,803,264,492</b></u>

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
<b>I) TERM LOAN</b>		
(against First Pari-passu charge with other banks on present & future fixed assets of the company other than those exclusively financed by any other banks/ financial institutions & second pari-passu charge with other banks on all present & future current assets of the company & personal guarantee of Sh. A. K. Bansal & Smt. Anju Bansal, directors, their relatives & corporate guarantee of group companies / others - The loan is collaterally secured by equitable mortgage of land & building of associate concerns / others on pari-passu basis with other member banks.)		
<b>a) From State Bank of India</b>		
<b>Term Loan - I</b>	<b>0</b>	10,851,942
(Repayable in 25 quarterly instalments starting from April 04)		
<b>Term Loan - II</b>	<b>0</b>	3,637,601
(Repayable in 25 quarterly instalments starting from April 05)		
<b>Term Loan - III</b>	<b>0</b>	4,041,712
(Repayable in 25 quarterly instalments starting from Dec 05)		
<b>Term Loan - IV</b>	<b>209,606,454</b>	256,414,043
(Repayable in 26 equal quarterly instalments starting from June 08)		
<b>Term Loan - V</b>	<b>440,740,937</b>	0
(Repayable in 36 equal quarterly instalments starting from June 10)		
<b>b) From Syndicate Bank</b>		
<b>Term Loan - I</b>	<b>0</b>	7,202,071
(Repayable in 28 quarterly instalments starting from Dec 03)		
<b>Term Loan - II</b>	<b>79,556,902</b>	89,908,711
(Repayable in 28 quarterly instalments starting from June 08)		
<b>c) From Punjab National Bank</b>		
<b>Term Loan - II</b>	<b>225,673,661</b>	259,099,644
(Repayable in 28 quarterly instalments starting from June 08)		
<b>d) From Oriental Bank of Commerce</b>	<b>142,593,533</b>	170,163,150
(Repayable in 28 quarterly instalments starting from June 08)		
<b>e) From Karnataka Bank Ltd.</b>	<b>201,265,164</b>	100,035,616
(Repayable in 18 quarterly instalments starting from Dec 09)		
<b>f) From ICICI Bank Ltd.</b>	<b>150,500,000</b>	0
(Repayable in 18 quarterly instalments starting from June 10)		
<b>g) From Central Bank of India</b>	<b>7,497,600</b>	0
(Repayable in 18 quarterly instalments starting from Sept 10)		
<b>II) Foreign Currency Borrowings from ICICI Bank Ltd.</b>		
(against first charge on immovable & movable assets financed by the ICICI bank & personal guarantee of directors Sh. A.K. Bansal & Smt. Anju Bansal.)		
<b>Foreign Currency Loan</b>	<b>35,463,158</b>	48,539,474
(Repayable in 19 quarterly instalments starting from Sep 08)		
<b>External Commercial Borrowing</b>	<b>106,389,474</b>	160,168,420
(Repayable in 19 quarterly instalments starting from Sep 08)		
	<b>1,599,286,883</b>	<b>1,110,062,384</b>

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>III) Working Capital Borrowings</b>		
(Comprising of Export Packing Credit, FDBP etc. from Banks, secured by hypothecation of stocks, book debts, bills and personal / corporate guarantee of wholetime directors / group company / others. The limits are also collaterally secured by immovable properties owned by directors and associate concerns / others. The loan is collaterally secured by way of equitable mortgage on pari-passu basis with other banks of all present & future fixed assets of the company.)		
Bank of Baroda	0	125,556,965
Punjab National Bank	827,648,993	729,902,463
State Bank of India	0	402,784,345
Syndicate Bank	330,696,457	249,310,370
Union Bank of India	359,996,706	248,255,227
Central Bank of India	846,917,016	271,493,512
Bank of India	539,812,037	0
Allahabad Bank	350,266,096	0
Karnataka Bank Ltd.	62,920,381	150,907,368
Barclays Bank PLC	0	114,656,061
SIDIBI	31,824,011	0
SICOM	150,000,000	0
Oriental Bank of Commerce	361,523,613	399,919,695
	<b>3,861,605,310</b>	2,692,786,006
Vehicle Loans (Against vehicles from Banks etc.)	<b>6,688,805</b>	5,878,592
<b>TOTAL</b>	<b>5,467,580,998</b>	<b>3,808,726,982</b>

**SCHEDULE OF CONSOLIDATED FIXED ASSETS AS ON 31.03.2010**  
**SCHEDULE "D"**

Amount (Rs.)

S. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OP. BAL. AS ON 01.04.2009	ADDITIONS	DELETIONS	TOTAL AS ON 31.03.2010	UPTO 31.03.2009	FOR THE YEAR	ON DELETIONS	UPTO 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009
1	LAND	249,367,196	21,343,500	0	270,710,696	0	0	0	0	270,710,696	249,367,196
2	BUILDING	679,375,340	0	0	679,375,340	26,317,274	22,691,136	0	49,008,410	630,366,930	653,058,066
3	PLANT AND MACHINERY	1,791,800,560	1,042,439,879	0	2,834,240,439	186,763,159	141,593,685	0	328,356,844	2,505,883,595	1,605,037,401
4	FURNITURE, FIXTURE & EQUIPMENTS	61,546,311	18,197,393	0	79,743,704	7,387,334	4,703,602	0	12,090,936	67,652,768	54,158,977
5	VEHICLES	29,225,269	8,392,245	1,543,490	36,074,024	11,267,911	3,246,978	701,822	13,813,067	22,260,957	17,957,358
	<b>TOTAL :</b>	<b>2,811,314,676</b>	<b>1,090,373,017</b>	<b>1,543,490</b>	<b>3,900,144,203</b>	<b>231,735,678</b>	<b>172,235,401</b>	<b>701,822</b>	<b>403,269,257</b>	<b>3,496,874,946</b>	<b>2,579,578,998</b>
	PREVIOUS YEAR :	1,599,108,525	1,212,765,017	558,866	2,811,314,676	118,679,890	113,061,605	5,817	231,735,678		
	CAPITAL WORK IN PROGRESS (including Advances & Pre-operative Expenses)									257,767,653	4,469,657
										3,754,642,599	2,584,048,655



**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

PARTICULARS	As At 31.03.2009 Amount (Rs.)	As At 31.03.2008 Amount (Rs.)
<b>SCHEDULE "E"</b>		
<b>INVESTMENTS</b>		
<b>Quoted : (At Cost)</b>		
<b>a) Equity Share</b>		
Billpower Ltd.	0	188
Nil (Pr. Yr. 1) Equity Shares of Rs. 10/- Each		
Galaxy Entertainment Ltd.	0	253,519
Nil (Pr. Yr. 2914) Equity Shares of Rs. 10/- Each		
RAP Media Ltd.	0	4,779,801
Nil (Pr. Yr. 9500) Equity Shares of Rs. 10/- Each		
Wipro Ltd.	0	147,794
Nil (Pr. Yr. 600) Equity Shares of Rs 2/- Each		
	0	5,181,302
<b>b) Mutual Fund</b>		
Principal Infrastructure & Services Industries Fund - PNB Growth Plan	0	200,000
Nil (Pr. Yr. 19560) Units of Rs. 10.22 Each		
Principal PNB Long Term Equity Fund (3Year Plan)	0	500,000
Nil (Pr. Yr. 50000.00) Units of Rs. 10/- Each		
L144G SBI Infrastructure Funds - I - Growth 50000.00 Units of Rs. 10/- Each	500,000	500,000
L121G SBI One India Mutual Fund - Growth 150000.00 Units of Rs. 10/- Each	1,500,000	1,500,000
	2,000,000	2,700,000
<b>Unquoted : (At Cost)</b>		
<b>a) Group Companies</b>		
<b>Hanung Infra &amp; Power Ltd.</b>		
19,85,000 (Pr. Yr. 10000) Equity Shares of Rs. 10/- Each	19,850,000	100,000
Share Application Money	0	38,500,000
<b>Hanung Retail Ltd.</b>		
9,16,540 (Pr. Yr. 10000) Equity Shares of Rs. 10/- Each	9,165,400	100,000
Share Application Money	0	9,065,400
	29,015,400	47,765,400
<b>b) Others</b>		
The Orissa Minerals Development Company Ltd. 100 Equity Shares of Rs. 10/- Each	1,759,964	1,759,964
Pilani Investments Industries Corporation Ltd. 500 Equity Shares of Rs. 10/- Each	1,865,036	1,865,036
	3,625,000	3,625,000
<b>TOTAL</b>	<b>34,640,400</b>	<b>59,271,702</b>
<b>Aggregate market value of quoted investment</b>	<b>2,117,500</b>	<b>1,843,260</b>

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "F"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(As taken, valued and certified by the management)		
Raw materials (at cost & including Goods in Transit)	2,398,048,182	1,859,959,140
Packing materials (at cost)	9,497,545	10,728,269
Semi Finished Goods (at cost)	1,258,726,412	913,893,938
Finished Goods (lower of cost or net realisable value)	961,259,855	887,594,938
	<u>4,627,531,994</u>	3,672,176,285
<b>Sundry Debtors</b>		
(Unsecured, considered good)		
More than Six Months	0	0
Others	1,544,158,463	1,307,402,692
	<u>1,544,158,463</u>	1,307,402,692
<b>Cash &amp; Bank Balances</b>		
Cash in hand	7,137,994	6,952,878
Balance with Scheduled Banks in C/A	278,693,145	23,540,298
Fixed Deposits with Banks	199,350,087	86,227,585
(Includes Pledged with Banks for Bank Guarantee / Letter of Credit)		
	<u>485,181,226</u>	116,720,761
<b>Loans &amp; Advances</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	229,259,957	268,608,862
Security Deposits	10,478,497	5,932,746
Interest Accrued on FDRs	3,436,467	3,606,737
Prepaid Expenses	3,740,152	4,593,623
	<u>246,915,073</u>	282,741,968
<b>TOTAL</b>	<u><u>6,903,786,756</u></u>	<u><u>5,379,041,706</u></u>
<b>SCHEDULE "G"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	964,964,843	899,302,359
Other Liabilities	44,574,105	37,066,168
Item covered by Investor Education and Protection Fund		
Unpaid application money received by the company for allotment of securities and due for refund	72,390	72,390
	<u>1,009,611,338</u>	936,440,917
<b>PROVISIONS</b>		
Income Tax / Fringe Benefit Tax (Net)	134,582,046	74,108,488
Provision for Dividend	50,375,850	37,781,888
Provision for Dividend Tax	8,561,376	6,421,032
	<u>193,519,272</u>	118,311,408
<b>TOTAL</b>	<u><u>1,203,130,610</u></u>	<u><u>1,054,752,325</u></u>



**SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>SCHEDULE "H"</b>		
<b>SALES</b>		
Export Sales	6,392,496,648	4,865,387,057
Inland Sales	1,976,022,320	1,510,703,572
<b>TOTAL</b>	<b>8,368,518,968</b>	<b>6,376,090,629</b>
<b>SCHEDULE "I"</b>		
<b>OTHER INCOME</b>		
Export Incentive	114,922,299	115,757,197
Bank Interest	8,073,289	10,110,673
Other Income	35,905,513	28,708,538
<b>TOTAL</b>	<b>158,901,101</b>	<b>154,576,408</b>
<b>SCHEDULE "J"</b>		
<b>INCREASE IN STOCK</b>		
<b>Opening Stock</b>		
Semi Finished Goods	913,893,938	459,835,850
Finished Goods	887,594,938	478,369,087
<b>TOTAL (A)</b>	<b>1,801,488,876</b>	<b>938,204,937</b>
<b>Closing Stock</b>		
Semi Finished Goods	1,258,726,412	913,893,938
Finished Goods	961,259,855	887,594,938
<b>TOTAL (B)</b>	<b>2,219,986,267</b>	<b>1,801,488,876</b>
<b>INCREASE IN STOCK : (B) - (A)</b>	<b>418,497,391</b>	<b>863,283,939</b>
<b>SCHEDULE "K"</b>		
<b>MANUFACTURING OVERHEADS</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	1,821,917,430	977,982,112
Add : Purchases	6,675,390,874	6,112,002,574
Add: Processing Charges	78,430,065	120,722,566
	8,575,738,369	7,210,707,252
Less : Closing Stock	2,381,479,696	1,821,917,430
<b>Consumed during the year</b>	<b>6,194,258,673</b>	<b>5,388,789,822</b>
<b>Packing Materials Consumed</b>		
Opening Stock	10,728,269	4,646,317
Add : Purchases	122,315,775	129,537,499
	133,044,044	134,183,816
Less : Closing Stock	9,497,545	10,728,269
<b>Consumed during the year</b>	<b>123,546,499</b>	<b>123,455,547</b>
<b>Cost of Material Consumed</b>	<b>6,317,805,172</b>	<b>5,512,245,369</b>
<b>Other Manufacturing Costs</b>		
Consumable Goods	7,999,735	5,756,302
Design & Testing Charges	9,825,137	8,185,799
Direct Wages	136,081,950	100,372,060
Excise and Custom Duty	7,216,326	6,004,852
Factory Rent	6,112,493	4,692,814
Freight Inward	55,676,091	37,193,281
Job Work Charges	101,599,090	85,346,035
Power & Fuel	174,019,296	95,677,125
	498,530,118	343,228,268
<b>TOTAL</b>	<b>6,816,335,290</b>	<b>5,855,473,637</b>

**SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

<b>PARTICULARS</b>	<b>As At 31.03.2010 Amount (Rs.)</b>	<b>As At 31.03.2009 Amount (Rs.)</b>
<b>SCHEDULE "L"</b>		
<b>ESTABLISHMENT OVERHEADS</b>		
Directors' Remuneration	20,240,000	12,652,500
Salaries & Allowances	92,855,544	69,581,745
Provident Fund and ESI Contribution	16,853,801	13,986,480
Staff Welfare	10,318,450	12,227,373
<b>TOTAL</b>	<b>140,267,795</b>	<b>108,448,098</b>
<b>SCHEDULE "M"</b>		
<b>ADMINISTRATIVE OVERHEADS</b>		
Business Promotion	718,100	1,509,263
Cellular & Telephone Expenses	2,800,112	2,827,871
Courier, Postage and Telegram	4,519,061	4,112,235
ECGC Premium	16,918,595	8,671,155
Insurance Charges	7,094,485	7,173,255
General Expenses	2,658,534	1,832,821
Printing and Stationery	3,356,380	2,823,748
Professional & Legal Charges	12,046,518	9,620,003
Rent, Rates & Taxes	3,977,022	2,421,006
Repair and Maintenance	30,559,444	14,612,267
Security Watch and Ward Expenses	4,595,254	4,355,569
Local Conveyance	2,966,574	3,388,774
Travelling Directors	3,795,332	1,895,907
Travelling Others	6,235,300	5,767,553
<b>TOTAL</b>	<b>102,240,711</b>	<b>71,011,427</b>
<b>SCHEDULE "N"</b>		
<b>SELLING OVERHEADS</b>		
Advertisement and Publicity	6,043,102	21,695,302
Exchange Rate Fluctuation	153,413,680	72,634,506
Freight and Forwarding	75,934,978	75,679,842
Rebate, Discount and Commission	8,616,851	7,487,450
<b>TOTAL</b>	<b>244,008,611</b>	<b>177,497,100</b>
<b>SCHEDULE "O"</b>		
<b>FINANCIAL OVERHEADS</b>		
Interest to Bank - Term Loan	111,104,286	64,295,029
Interest to Bank - Working Capital	308,950,723	217,414,901
Interest on Vehicle Loans	612,889	796,068
Bank Charges	75,877,916	46,534,541
<b>TOTAL</b>	<b>496,545,814</b>	<b>329,040,539</b>

**CONSOLIDATED CASH FLOW STATEMENT**

PARTICULARS	As At 31.03.2010 Amount (Rs.)	As At 31.03.2009 Amount (Rs.)
<b>A CASH FLOW FROM OPERATIVE ACTIVITIES</b>		
Profit before tax	974,283,838	739,418,570
<b>Adjustments for :</b>		
Depreciation	172,235,401	113,061,605
Interest and finance charges	496,545,814	329,040,539
Interest income	(8,073,289)	(10,110,673)
Dividend Income	(60,400)	(60,985)
(Profit) / Loss on disposal of investments	4,289,686	3,893,555
<b>Operating profit before working capital changes</b>	<b>1,639,221,050</b>	<b>1,175,242,611</b>
Adjustments for changes in working capital :		
Inventories (Increase) / Decrease	(955,355,709)	(1,712,963,600)
Debtors (Increase) / Decrease	(236,755,771)	(204,099,204)
Advances (Increase) / Decrease	35,826,895	37,314,378
Current Liabilities & Provisions Increase / (Decrease)	73,170,421	138,919,505
<b>Cash generated from operations</b>	<b>556,106,886</b>	<b>(565,586,310)</b>
Income tax (paid) / refund for earlier years	(7,127,850)	0
Income tax (paid) / refund	24,073,558	(111,414,457)
Extra Ordinary Items	(8,096,800)	(1,850,550)
<b>Net Cash from Operating Activities</b>	<b>564,955,794</b>	<b>(678,851,317)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for asset acquisition	(1,343,671,011)	(489,559,612)
Proceeds on sale of fixed assets	841,668	553,049
Goodwill on Conolidation	(246,572)	
Purchase of investments	-	(150,000)
Sale / redemption of investments	20,341,615	3,847,313
Dividend received	60,400	60,985
<b>Net cash flow used in investing activities</b>	<b>(1,322,673,900)</b>	<b>(485,248,265)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term borrowing (net) Increase / (Decrease)	1,658,854,016	1,225,422,191
Interest and finance charges paid - net	(488,472,525)	(318,929,866)
Dividend paid and tax thereon	(44,202,920)	(44,202,920)
<b>Net cash flow from financing activities</b>	<b>1,126,178,571</b>	<b>862,289,405</b>
<b>Net cash inflow / (outflow)</b>	<b>368,460,465</b>	<b>(301,810,177)</b>
Opening cash and cash equivalents	116,720,761	418,530,938
Closing cash and cash equivalents	485,181,226	116,720,761
<b>Net increase / (decrease) in cash equivalents</b>	<b>368,460,465</b>	<b>(301,810,177)</b>

This is the Consolidated Cash Flow Statement referred to in our report of even date

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

**SCHEDULE – “P”  
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING  
PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Preparation of Financial Statements**

The consolidated financial statements of Hanung Toys & Textiles Limited and its subsidiary are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956.

**2. Principles of Consolidation**

The consolidated financial statements relate to of Hanung Toys & Textiles Limited and its subsidiary. The consolidated financial statements (drawn up to the same reporting date as of the company), have been prepared on the following basis.

- a) The financial statements of the company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in un realised profit or losses, as per Accounting Standard (AS) 21 “Consolidated Financial Statements” as notified by Company (Accounting Standards) Rules 2006.
- b) The excess of cost to the company of its investment in subsidiary company over its share of equity of the subsidiary company at the dates, on which the investments are made, is recognised as “Goodwill” being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the company, it is recognised as “Capital Reserve” and shown under the head ‘Reserves & Surplus’, in the consolidated financial statements.
- c) Consolidated Financial Statement have been prepared using uniform accounting policies for like transaction & other events in similar circumstances, however in case of depreciation it was not practicable to use uniform accounting policy
- d) As per Accounting Standard Interpretation (ASI) 15 on Notes to the Consolidated Financial Statements, only the notes involving items which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the consolidated financial statements. Further, additional statutory information disclosed in separate financial statements of the subsidiary and / or a parent having no bearing on the true and fair view of the consolidated financial statements are not disclosed in the consolidated financial statements.

**3. Fixed Assets**

- a) Fixed assets are stated at costs, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.
- b) Deprecation on fixed assets (other than those relating to foreign subsidiary) is provided on straight-line method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

**4. Translation of Foreign Currency Items**

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current Assets and Current Liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain / loss is recognized in the Profit & Loss Account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets. The Forward Contract including derivatives contract entered into to hedge foreign currency risk on unexpected firm commitments and highly probable forecast transactions recognized in the financial statements accordingly as per Accounting Standards issued by the Institute of chartered Accountants of India, exchange difference arising on such contracts are recognized in the period in which they arise. Gain and losses arising on account of such transaction are recognized as income/ expenses in the Profit and Loss Account.

**5. Research and Development**

Revenue expenditure on Research & Development is included under the natural heads of expenditure. Capital expenditure on Research & Development is treated in the same manner as expenditure on other fixed assets.

**6. Valuation of Inventory**

- a) Closing stock of finished goods is valued at the lower of estimated cost or net realizable value.
- b) Closing stock of semi-finished goods is valued at estimated cost.
- c) Inventory of raw material and packing material is valued at cost.

**7. Investments**

Investments are valued at costs unless there is a permanent fall in their value as at the date of Balance Sheet.

**8. Retirement Benefits**

Encashment of accrued leave salary and retirement benefits to employees are provided on accrual basis.

**9. Contingent Liability**

Liabilities though contingent, are provided for if there are reasonable prospects of such liabilities maturing. The other Contingent Liabilities, which are not acknowledged as debt are disclosed by way of note, but claims of frivolous nature are ignored. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**10. Revenue Recognition**

- a. Sales are inclusive of excise duty / customs duty and net of trade discounts. Export sales include goods invoiced against confirmed orders and cleared from excise and customs authorities.
- b. Export incentives receivable on exports made during the year, are recognized as income.
- c. Other items of revenue including export benefits are recognized in accordance with the Accounting Standard (AS-9). Accordingly, wherever there are uncertainties in the ascertainment / realization of income such as interest from customers, the same is not accounted for.

**11. Taxes on Income**

- a. Provision for current income tax is made on the basis of



the estimated taxable income for the current accounting year computed in accordance with the provisions of the Income Tax Act, 1961.

- b. Deferred tax is recognized on timing difference between the income accounted in financial statements and taxable income for the year, and quantified using tax rates and laws enacted or substantively enacted as on the Balance Sheet date are accounted for on the basis of Accounting Standard (AS-22)

## 12. Borrowing Costs

Borrowing costs directly attributable to acquisition, construction and production of assets are capitalized as a part of the cost of such asset up to the date of completion. Other borrowing costs are recognized as expenses in the period in which they are incurred and charged to the Profit & Loss Account.

## 13. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that any asset including goodwill, may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to Profit & Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

## 14. Segment accounting

Segment accounting policies are in line with the accounting policies of the company. In addition, the following specific accounting policies have been followed for segment reporting:

- Segment revenue includes sales and other income directly identifiable with/ allocable to the segment.
- Expenses that are directly identifiable with / allocable to segment are considered for determining the segment results.
- Segment assets and liabilities include those directly identifiable with respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

## B. NOTES TO ACCOUNTS

- The particulars of the subsidiary company considered in the consolidated financial statements are-

Name : Hanung (Shanghai) Ltd.  
Country of Incorporation : China  
Ownership as at 31.03.2010 : 100%  
Ownership as on 31.03.2009 : NA

- Comparative figures for the previous year have been regrouped, recast and re-arranged wherever necessary, so as to make them comparable with the current year's figures.
- Debtors, Creditors and Advances are subject to confirmation.

## 4. Loans and Advances include:

- Dues from companies under the same management or companies in which any of the directors are interested is Praneet Softech Pvt Ltd Rs. 1.40 Lacs (Previous Year Rs. 58.67 Lacs). The maximum amount due from the company during the year was Rs. 121.17 Lacs (Previous Year Rs. 61.69 Lacs).
- In the opinion of Board of Directors, the Current Assets, Loans and Advances have value on realization in ordinary course of business, at least equal to the amount at which they are stated except as expressly stated otherwise.
  - Based on the information / documents available with the Company, Sundry Creditors include total outstanding dues to Small Scale Industrial undertakings Rs. 98.71 Lacs (Previous Year Rs. 168.30 Lacs) of which
    - Amount overdue on account of principal and / or interest is NIL
    - Name of the Parties to whom the company owes any sum outstanding for more than thirty days but not overdue as per the information available with the company are :  
Chaudhary Lables Pvt. Ltd., J J Foams Pvt Ltd, Malwa Leather Components Pvt. Ltd., Printografik, Technotek Industries, Ginni Spectra Pvt. Ltd., Palak Tapes Pvt. Ltd., Lace India Co, D.M. Enterprises, Sun Glow manufacturing Pvt Ltd., Chenab Packs Pvt. Ltd.
  - The Accounting Standard (AS-22) for accounting of deferred income tax has become applicable on the company w.e.f. 01.04.2002. Accordingly, provision for deferred tax liability has been made in accordance with the Accounting Standard (AS-22).
  - Establishment Overheads include payments and provisions of remuneration to whole-time directors of Rs 198.75 Lacs (previous year Rs. 125.40 Lacs) and directors' sitting fee of Rs. 3.65 Lacs (previous year Rs. 1.12 Lacs).

(Amount in Lacs)

Particulars	2009-2010	2008-2009
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## 9. Remuneration to Auditors

Audit Fee	5.00	5.00
Other Services	2.80	0
Re-imburement of Expenses	2.00	2.00

## 10. CIF Value of Imports

Raw Material and Freight	29847.65	24417.27
--------------------------	----------	----------

Particulars	2009-2010	2008-2009
<b>11. Expenditure in Foreign Currency</b>		
Machinery	7311.07	103.16
Raw Materials	29762.33	24355.00
Travelling Expenses	18.05	16.84
Others	192.09	168.04

**12. Earning in Foreign Exchange (on Fob basis)**

Stuffed Toys etc	26360.28	21083.83
Sheet Set, Duvet, Curtain etc	37564.69	27570.04

**13. Value of Imported and indigenous raw materials, stores and spares purchased with their percentages**

	Amount	%	Amount	%
Imported	29762.33	43.78	24355.00	39.02
Indigenous	38214.74	56.22	38060.40	60.98
<b>Total</b>	<b>67977.07</b>	<b>100.00</b>	<b>62415.40</b>	<b>100.00</b>

**14. Contingent Liabilities**

Bank Guarantees	1.12	1.12
Letters Of Credit	6371.75	2270.03
Bills Discounted	4764.00	781.55
Capital Commitment	437.64	74.88

**15. Particulars in respect of installed capacities etc**

Class of Goods	Unit	Capacity Licensed	Capacity Installed	Production 2009 - 2010	Production 2008 - 2009
Stuffed Toys	Pcs	N. A.	275,00,000	3,03,98,945	2,70,53,003
Sheet set, Duvet set, Comforter set	Sets	N. A.	68,50,000	30,65,879	24,33,804
Curtains, Cushions, Sham, Pillow Covers etc	Pcs	N. A.		46,19,208	41,95,741

The figures of installed capacity are on single shift working basis and are as certified by the management and not verified by the auditors, being a technical matter.

**16. Particulars in respect of opening stock, purchase, consumption, sale and closing stock for each class of goods dealt with by the company:**

(Amount in Lacs)

Particulars	Qty Unit	2009-2010		2008-2009	
		Quantity	Amount	Quantity	Amount
<b>Opening Stock</b>					
Fabric	Mtrs	14,138,398	18,006.52	7,249,012	9,544.05
Cotton Yarn	Kgs	—	—	—	—
P S F	Kgs	90,562	45.17	108,252	55.92
Chemicals & Dyes	—	—	59.03	—	99.13
Other Items		—	108.45	—	80.72
Packing Material		—	107.28		46.46
Stuffed Toys	Pcs	4,354,128	3,527.40	2,352,421	2,096.43
Sheet Sets / Duvets / Mattress Covers	Sets	479,787	5,049.41	219,479	2,487.97
Curtains / Quilts / Sham / Pillow Covers	Pcs	136,764	299.13	88,566	199.30
Semi Finished / W I P		—	9,138.94		4,598.36

Particulars	Qty Unit	2009-2010		2008-2009	
		Licensed	Installed	Licensed	Installed
<b>Purchases</b>					
Fabric	Mtrs	45,051,108	56,845.59	46,269,605	58,616.19
Cotton Yarn	Kgs	3,399,412	6,861.97	—	—
P S F	Kgs	2,289,370	1,137.42	2,069,974	1,030.55
Chemicals & Dyes		—	1,467.92	—	994.86
Other Items		—	441.02	—	478.43
Packing Material		—	1,223.16	—	1,295.37
<b>Consumption</b>					
Fabric	Mtrs	40,906,138	51,726.66	39,380,219	50,153.72
Cotton Yarn	Kgs	3,248,709	6,557.76	—	—
P S F	Kgs	2,141,004	1,063.86	2,087,664	1,041.30
Chemicals & Dyes		—	1,373.05	—	1,034.96
Other Items		—	436.95	—	450.70
Packing Material		—	1,235.46	—	1,234.56
<b>Production</b>					
Stuffed Toys	Pcs	30,398,945		27,053,003	
Sheet Sets / Duvets / Mattress Covers	Sets	3,065,879		2,433,804	
Curtains / Quilts / Sham / Pillow Covers	Pcs	4,619,208		4,195,741	—
Fabric	Mtrs	8,933,950		—	
<b>Sales</b>					
Stuffed Toys	Pcs	31,395,285	33,334.25	25,051,296	25,591.39
Sheet Sets / Duvets / Mattress Covers	Sets	2,947,198	37,775.80	2,173,496	27,330.70
Curtains / Quilts / Sham / Pillow Covers	Pcs	4,521,225	11,941.72	4,147,543	10,838.81
Processed & Grey Fabrics	Mtrs	484,081	633.42	—	—
<b>Closing Stock</b>					
Fabric	Mtrs	18,283,368	23,125.44	14,138,398	18,006.52
Cotton Yarn	Kgs	150,703	304.21	—	—
P S F	Kgs	238,928	118.72	90,562	45.17
Chemicals & Dyes		—	153.90	—	59.03
Other Items		—	112.52	—	108.49
Packing Material		—	94.98	—	107.28
Stuffed Toys	Pcs	3,357,788	2,832.27	4,354,128	3,527.40
Sheet Sets / Duvets / Mattress Covers	Sets	598,468	6,273.26	479,787	5,049.41
Curtains / Quilts / Sham / Pillow Covers	Pcs	234,747	507.07	136,764	299.13
Semi Finished / W I P			12,587.26	—	9,138.94

Fabric, Cotton Yarn, P.S.F., Chemical & Dye, Packing Material and other items are classified as Raw Materials and Stuffed Toys, Sheet Sets / Duvets / Mattress Covers, Curtains / Quilts / Sham / Pillow Covers as Finished Goods.

## 17. SEGMENT INFORMATION

The Company is principally engaged in the business of Toys and Home Furnishings. Accordingly there are two reportable segments as per Accounting Standard (AS 17) issued by the Institute of Chartered Accountant of India on 'Segment Reporting', which have been disclosed below.

Particulars	Stuff Toys		Home Furnishings		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>I. Primary Segment Business</b>						
<b>a Segment Revenue</b>						
Sales to External Customers excluding Export Benefits	33,334.25	25,591.39	50,350.95	38,169.51	83,685.20	63,760.90
Other Income including Export Benefits	394.54	254.24	1,194.47	1,291.52	1,589.01	1,545.76
Total Segment Revenue	33,728.79	25,845.63	51,545.42	39,461.03	85,274.21	65,306.66
<b>b Segment Result</b>						
Profit before Financial Overheads, Income Tax and exceptional Items	6,612.07	5,018.77	8,096.23	5,665.83	14,708.30	10,684.60
Less : Interest and Finance Charges	1,863.33	1,126.90	3,102.12	2,163.51	4,965.45	3,290.41
Profit before Income Tax and exceptional Items	4,748.74	3,891.87	4,994.11	3,502.32	9,742.85	7,394.19
Less : Exceptional Items (Prior Period Expenses / Income)	8.05	7.96	72.92	10.55	80.97	18.51
Profit before Tax	4,740.69	3,883.91	4,921.19	3,491.77	9,661.88	7,375.68
Provision for Current Tax	—	—	—	—	435.28	640.80
Provision for Deferred Tax	—	—	—	—	248.61	289.63
Profit after Tax	4,740.69	3,883.91	4,921.19	3,491.77	8,977.99	6,445.25
<b>c Segment Assets</b>						
Carrying Amount Allocated	8,700.01	6,773.82	26,268.73	19,021.96	34,968.74	25,795.78
Unallocated Assets	—	—	—	—	71,964.41	54,427.83
<b>Total Assets</b>	8,700.01	6,773.82	26,268.73	19,021.96	106,933.15	80,223.61
<b>d Segment Liabilities</b>						
Carrying Amount Allocated	300.73	363.06	158.40	8.32	459.13	371.38
Unallocated Liabilities	—	—	—	—	67,533.98	49,300.80
<b>Total Liabilities</b>	300.73	363.06	158.40	8.32	67,993.11	49,672.18
<b>e Cost of Fixed Assets Acquired</b>						
Allocated Fixed Assets Acquired	2,340.59	2,021.09	8,563.14	10,106.56	10,903.73	12,127.65
Unallocated Fixed Assets	—	—	—	—	—	—
<b>Total Fixed Assets acquired</b>	2,340.59	2,021.09	8,563.14	10,106.56	10,903.73	12,127.65
<b>f Depreciation / Amortization</b>						
Allocated	405.99	351.01	1,316.36	779.60	1,722.35	1,130.61
Unallocated	—	—	—	—	—	—
<b>II. Secondary Segment - Geographical</b>						
Export Revenues	26,360.28	21,083.82	37,564.69	27,570.04	63,924.97	48,653.86
Domestic Revenues	6,973.97	4,507.57	12,786.26	10,599.47	19,760.23	15,107.04
<b>Total</b>	33,334.25	25,591.39	50,350.95	38,169.51	83,685.20	63,760.90



**18. Related Party Transactions**

As per AS-18, the Company's related parties and transactions with them are disclosed below

**A. Related Parties**
**(a) Associate Companies**

1. Hanung Furnishings Private Limited
2. Hanung Processors Private Limited
3. Parneet Softech Private Limited
4. C K Software Private Limited
5. Abhinav International Private Limited
6. Hanung Retail Limited
7. Hanung Infra & Power Limited
8. Glofin Investment & Finance Co. Private Limited

**(b) Key Management Personnel**

1. Mr. Ashok Kumar Bansal  
(Chairman & Managing Director)
2. Mrs. Anju Bansal (Director)
3. Col. Ashok Malhotra
4. Mr. Arvind Kumar Gupta
5. Mr. Sandeep Agrawal
6. Mr. Vijay Grover
7. Mr. Sunil Duggal

**B. Transactions with Related Parties**

(Amount in Lacs)

Sl.No.	Nature of Transaction	Associate Companies		Key Management Personnel	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
1.	Purchase of Goods & Services	7.92	7.28	0.36	0.36
2.	Sale of Goods & Services	19.86	94.99	NIL	NIL
3.	Advance Outstanding	1.40	58.67	NIL	NIL
4.	Managerial Remuneration	NIL	NIL	224.48	186.50
5.	Dividend	149.61	139.83	68.13	68.13

**19. Earning Per Equity Share**

Basic Earning Per Share	31.03.2010	31.03.2009
Profit after tax as per Profit and loss account (In Rs. Lacs)	8977.98	6445.25
Weighted Average Number of Equity Shares Outstanding	2,51,87,925	2,51,87,925
Basic Earning per Share (Face Value Rs.10/-)	35.64	25.59

**20. Take Over of Business under Slump Sale Agreement**

Some of the immoveable properties acquired by the company under the agreement of slump sale are being registered in the name of the company.

21. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2010.

22. Schedules "A" to "P" form an integral part of the Balance Sheet and Profit and Loss Account and have been duly authenticated.

As per our report attached of even date

For and on behalf of the Board of Directors

**For Rohtas & Hans**  
Chartered Accountants

**Ashok Kumar Bansal**  
Chairman-cum-Managing Director

**Anju Bansal**  
Whole Time Director

**Hans Jain**  
Partner  
Membership No : 82912

**Arvind Kumar Gupta**  
Company Secretary

**Sandeep Agrawal**  
Chief Financial Officer

Place : Noida  
Date : July 01, 2010

**Statement pursuant to Section 212 of the Companies Act, 1956 Related to Subsidiary Companies as at March 31, 2010:**

Name of the Subsidiary	Hanung (Shanghai) Ltd.
Financial Year of the Subsidiary ended on	31.12.2009
Shares of the subsidiary held by the Company on the above date	The company has subscribed to the extent of USD 150000 (RMB 1024185) in the paid up share capital of the company
(a) Number	NA
Face Value	NA
(b) Extent of holding	100%
Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company:	
(a) dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Crs.)	Nil
(b) not dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Crs.)	Loss RMB-713117.62 INR equivalent -Rs 48.47 Lacs (1 USD= 6.83 RMB) (1 USD = 46.42 INR)
Net aggregate amount of profits / (losses) of the subsidiary since it became a subsidiary so far as they concern members of the Company:	
(a) dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Crs.)	Nil
(b) not dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Crs.)	Loss RMB-713117.62 INR equivalent -Rs 48.47 Lacs
<b>Summary of Financial Information of Subsidiary Companies:</b>	
Name of the Subsidiary	Hanung (Shanghai) Ltd.
Financial Year of the Subsidiary ended on	31.12.2009
Reporting Currency	RMB
Exchange Rate	(1 USD= 6.83 RMB) (1 USD = 46.42 INR)
	Rs in Lacs
A. Share Capital	69.61
B. Reserves	(48.47)
C. Total Liabilities	75.43
D. Total Assets	75.43
E. Investment included in Total Assets (Except for Investment in Subsidiaries)	Nil
F. Turnover	Nil
G. Profit before Taxes	(48.47)
H. Provision for Taxation	Nil
I. Profit after Taxes	(48.47)
J. Proposed Dividend	Nil
<b>Statement of changes as per Section 212 (5)</b>	
Name of the Subsidiary	Hanung (Shanghai) Ltd.
Financial Year of the Subsidiary ended on	31.12.2009
Financial Year of the Holding Company ended on	31.03.2010
Change in the Holding Company's interest between 1.1.2010 and 31.3.2010	Nil
Material Change between 1.1.2010 and 31.3.2010 in-	
a) Subsidiary's Fixed Assets	Nil
b) Investments	Nil
c) Moneys lent by it	Nil
d) Moneys borrowed by it for any purpose other than meeting its working capital requirement	Nil

## Auditors' Report

To the Shareholders of Hanung (Shanghai) Ltd..

We have audited the accompanying Financial Statements of Hanung (Shanghai) Ltd. (hereinafter referred to as "the Company"), including its Balance Sheet as at 31 December 2009, Income Statement in 2009, its Statement of Change of Shareholders Equity, Cash Flow Statement and note on the Financial Statements for the year then ended.

### I. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Systems for Business Enterprises. These responsibilities include: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and using appropriate accounting policies; (3) making accounting estimates that are reasonable in the circumstances.

### II. Certified Public Accountant's Responsibility

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 of Chinese Certified Public Accountant. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements.

## HANUNG (SHANGHAI) Ltd.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Opinion

In our opinion, the financial statement of Hanung (Shanghai) Ltd. has gives fair view of the Company's financial position at 31 Dec. 2009 and of the results of its operations and its cash flows of the year of 2009 with in all the significant aspects in according to the term of Accounting Systems for Business Enterprises.

Shanghai Jinrui Certified Public  
Accountants Co., Ltd.

Shanghai, China  
April 15, 2010

Certified Public  
Accountant of China

Yin Xiao ling  
Zhao De Xing

# Balance Sheet as on 31st December, 2009

# HANUNG (SHANGHAI) Ltd.

## Financial Statements for Enterprises with Foreign Investment in 2009

Prepared by: Hanung (Shanghai) Ltd.

IN 2009

MONETARY UNIT: RMB YUAN

Item	Line No.	at End of Year	at Beg. of Year
<b>Current assets:</b>	1	—	—
Monetary capital	2	1,061,723.74	
Balances with clearing companies	3		
Placements with banks and non-bank financial institutions	4		
Transactional financial assets	5		
Note receivable	6		
Account receivable	7		
Advance to suppliers	8		
Premium receivable	9		
Due from reinsurers	10		
Reinsurers' share of insurance contract liabilities	11		
Interest receivable	12		
Other receivable	13	7,650.00	
Financial assets held under resale agreements	14		
Inventories	15		
Including: Raw materials	16		
Goods in inventory (finished products)	17		
Non-current assets maturing within one year	18		
Other current assets	19		
<b>Total of current assets</b>	20	1,069,373.74	
<b>Non-current assets:</b>	21	—	
Loans and advances to customers	22		
Available-for-sale financial assets	23		
Held-to-maturity investment	24		
Long-term receivables	25		
Long-term equity investment	26		
Real estate as investment	27		
Original price of fixed assets	28	41,750.00	
Less: Accumulated depreciation	29	1,327.66	
Net value of fixed assets	30	40,422.34	
Less: Provision for impairment of fixed assets	31		
Net fixed assets	32	40,422.34	
Construction in progress	33		
Engineering material	34		
Disposal of fixed assets	35		
Biological assets used for production	36		
Oil gas assets	37		
Intangible assets	38		
Expenditure for development	39		

**Balance Sheet as on 31st December, 2009 (Contd...)**
**HANUNG (SHANGHAI) Ltd.**

Item	Line No.	at End of Year	at Beg. of Year
Goodwill	40		
Long-term prepaid expenses (deferred assets)	41		
Deferred income tax assets	42		
Other non-current assets (other long-term assets)	43		
Including: Physical assets reserve specifically authorized	44		
<b>Subtotal of non-current assets</b>	45	40,422.34	
	46		
	47		
	48		
	49		
	50		
	51		
	52		
	53		
	54		
	55		
	56		
	57		
	58		
	59		
	60		
	61		
	62		
	63		
<b>Total of assets</b>	64	1,109,796.08	
<b>Current liabilities:</b>	65	—	—
Short-term borrowings	66		
Borrowing from the central bank	67		
Absorption of deposits banks and non-bank financial institutions	68		
Placements from banks and non-bank financial institutions	69		
Transactional financial liabilities	70		
Note payable	71		
Account payable	72		
Advance from customers	73		
Financial assets sold under repurchase agreements	74		
Fee and commission payable	75		
Employee's salary payable	76		
Including: Salary payable	77		
Welfare payable	78		
Including: Staff and workers' bonus and welfare fund	79		
Tax and expense payable	80		

**Balance Sheet as on 31st December, 2009 (Contd...)**
**HANUNG (SHANGHAI) Ltd.**

Item	Line No.	at End of Year	at Beg. of Year
Including: Tax payable	81		
Interest payable	82		
Other payable	83	798,728.70	
Due to reinsurers	84		
Insurance contract liabilities	85		
Payables to brokerage customers	86		
Payables to securities issuer	87		
Non-current liabilities maturing within one year	88		
Other current liabilities	89		
<b>Subtotal of current liabilities</b>	90	798,728.70	
<b>Non-current liabilities</b>	91	—	
Long-term borrowings	92		
Bonds payable	93		
Long-term payable	94		
Special payable	95		
Estimated liabilities	96		
Liabilities from deferred income tax	97		
Other non-current liabilities	98		
Including: Special reserve fund	99		
<b>Subtotal of non-current liabilities</b>	100		
<b>Total of liabilities</b>	101	798,728.70	
<b>Owners' equity :</b>	102	—	
Paid-in capital	103	1,024,185.00	
State capital	104		
Collective capital	105		
Legal person's capital	106		
Including: State-owned legal person's capital	107		
Collective legal person's capital	108		
Personal capital	109		
Foreign businessmen's capital	110		
Less: Returned investments	111		
Net paid-in capital	112	1,024,185.00	
Capital reserves	113		
Less: Treasury stock	114		
Special reserve	115		
Surplus reserves	116		
Including: Statutory surplus reserves	117		
Other surplus reserves	118		
Reserve fund	119		
Enterprise development fund	120		
Returned investment by profit	121		
General risk preparation	122		
Undistributed profit	123	-713,117.62	
Conversion variation of foreign currency statements	124		
Subtotal of owner's equity of parent company	125		
Minority interests	126		
<b>Total of shareholders' equity</b>	127	311,067.38	
<b>Total of liabilities &amp; shareholders' equity</b>	128	1,109,796.08	

**Income Statement for the period ended on  
31st December, 2009**

**HANUNG (SHANGHAI) Ltd.**

**Financial Statements for Enterprises with Foreign Investment in 2009**

Prepared by: Hanung (Shanghai) Ltd.

IN 2009

MONETARY UNIT: RMB YUAN

Item	Line No.	This Year	Last Year
1. Total business income	1		
Including: Business income	2		
Including: Main business income	3		
Other business income	4		
Interest income	5		
Earned premium	6		
Handing of fee and commission income	7		
2. Total business cost	8	713,117.62	
Including: Business cost	9		
Including: Main business cost	10		
Other business cost	11		
Interest expenditure	12		
Handing of fee and commission expenditure	13		
Surrenders	14		
Claims paid	15		
Change in insurance contract liabilities	16		
Policyholder dividends	17		
Expenses for reinsurance accepted	18		
Business tax and surtax	19		
Selling expenses	20		
Administrative expenses	21	707,480.43	
Including: Business entertainment fees	22		
Research and development fees	23		
Financial expenses	24	5,637.19	
Including: Interest expenses	25		
Interest income	26	34.62	
Exchange losses (for net gains filled with "-")	27	1,416.25	
Loss from impairment of assets	28		
Others	29		
Add: Earnings from change of fair value (for loss filled with "-")	30		
Investment income (for loss filled with "-")	31		
Including: Investment income in affiliated enterprises and joint ventures	32		
Exchange gains (for loss filled with "-")	33		
3. Business profit (for loss filled with "-")	34	-713,117.62	
Add: Non-business income <sup>35</sup>			
Including: Gains from disposal of non-current assets	36		
Gains from exchange of non-monetary assets (non-monetary trading gains)	37		
Government subsidies (subsidies income)	38		

**Income Statement for the period ended on  
31st December, 2009 (Contd...)**

**HANUNG (SHANGHAI) Ltd.**

Item	Line No.	This Year	Last Year
Gains from debt restructure	39		
Less: Non-business expenses	40		
Including: Loss from disposal of non-current assets	41		
Loss from exchange of non-monetary assets (non-monetary trading loss)	42		
Loss from debt restructure	43		
4. Total profit (for loss filled with "-")	44	-713,117.62	
Less: Income tax expenses	45		
5. Net profit (for net loss filled with "-")	46	-713,117.62	
Net profit attributable to owner of parent company	47		
Minority income and loss	48		
6. Earnings per share	49		
Basic earnings per share	50		
Diluted earnings per share	51		
7. Other comprehensive income	52		
8. Total comprehensive income	53		
Total comprehensive income attributable to owner of parent company	54		
Total comprehensive income attributable to minority	55		



# Cash Flow Statement as on 31st December, 2009

# HANUNG (SHANGHAI) Ltd.

## Financial Statements for Enterprises with Foreign Investment in 2009

Prepared by: Hanung (Shanghai) Ltd.

IN 2009

MONETARY UNIT: RMB YUAN

Items	Line No.	This Year	Last Year
1. Cash flow from operating activities	1		
Cash received from selling goods and rendering services	2		
Net increase in deposits from customers and from banks and non-bank financial institutions	3		
Net increase in borrowings from the central bank	4		
Net increase in placements from the other financial institutions	5		
Premiums received from direct insurance	6		
Net cash received from reinsurance business	7		
Net increase in investment contract liabilities for policyholder	8		
Net increase in disposal of transactional financial assets	9		
Cash received from interest, handing of fees and commission income	10		
Net increase in placements	11		
Net increase in repurchase	12		
Tax return received	13		
Other cash related to operating activities	14	798,728.70	
<b>Subtotal of cash inflow from operating activities</b>	15	798,728.70	
Cash paid for purchasing commodity and accepting service	16		
Net increase in loans and advances to customers	17		
Net increase in deposits with the central bank and with banks and non-bank financial institutions	18		
Claims paid for direct insurance	19		
Interest, handing of fees and commission paid	20		
Policyholder dividends paid	21		
Cash paid to and for employees	22	233,806.80	
Various taxes paid	23	226.00	
Other cash related to operating activities paid	24	485,407.16	
<b>Subtotal of cash outflow from operating activities</b>	25	719,439.96	
<b>Net cash flow from operating activities</b>	26	79,288.74	
2. Cash flow from investment activities	27		
Cash received from disinvestment	28		
Cash received from procuring investment income	29		
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets	30		
Net cash received from disposal of subsidiaries and other business units	31		
Other cash related to investment activities received	32		
<b>Subtotal of cash inflow from investment activities</b>	33		
Cash paid for purchasing fixed assets, intangible assets and other long-term assets	34	41,750.00	
Cash paid for investment	35		
Policy loans drawn	36		
Net cash paid for acquisition of subsidies and other business units	37		

**Cash Flow Statement as on  
31st December, 2009 (Contd...)**

**HANUNG (SHANGHAI) Ltd.**

Items	Line No.	This Year	Last Year
Other cash related to investment activities paid	38		
Subtotal of cash outflow from investment activities	39	41,750.00	
<b>Net cash flow from investment activities</b>	40	-41,750.00	
3. Cash flow from financing activities	41		
Cash received from absorbing investment	42	1,024,185.00	
Including: Cash absorbed by subsidiary companies from investments of minority shareholders	43		
Cash received from procuring loan	44		
Cash received from issuance of bonds	45		
Other cash related to financing activities received	46		
Subtotal of cash inflow from financing activities	47	1,024,185.00	
Cash paid for settlement of debt	48		
Cash paid for distribution of dividend and profit and reimbursement of interest	49		
Including: Dividend and profit paid to minority shareholders by subsidiaries	50		
Other cash related to financing activities paid	51		
Subtotal of cash outflow from financing activities	52		
<b>Net cash flow from financing activities</b>	53	1,024,185.00	
4. Impacts of change in exchange rate on cash	54		
5. Net increase of cash and cash equivalents	55	1,061,723.74	
Add: Beginning balance of cash and cash equivalents	56		
6. Ending balance of cash and cash equivalents	57	1,061,723.74	

# Notes to Accounting Statements for the year ended 2009

## I. Company profile:

Hanung (Shanghai) Ltd.(hereinafter referred to as “the company”)is a foreign capital enterprise invested by Hanung Toys and Textiles Limited India and established on September 29 of 2009, which have obtained the Wai Zi Hu Pu Du Zi (2009) No.2326 authorization certificate and the business license for business entity with the registration number of 310115400255375 (Pudong).

The total investment amount of the company is USD200,000, with a registered capital of USD 150,000.00 and the business term is 20 years.

The major operation scope of the company includes: the wholesale, commission agent (without auction), Import and export of these products for the textile fabrics, textile materials (without cotton), textiles and toys, and provision the related services and the consultative of textiles technology. (not involved merchandise of state trading management, and involved in the merchandise of the quota license management in accordance with relevant state regulations, any areas require special licences will need to have relevant licences to operate.)

## II. The basis for the preparation of financial statements:

The Company recognizes and measures the actually occurred transactions and events and prepares financial statements on the basis of continuous operation.

## III. The declaration on compliance with the accounting standards for enterprises

The Company has implemented the Accounting Systems for Business Enterprises and has prepared the Financial Statements in accordance with the Accounting Systems for Business Enterprises and relevant accounting systems. Such Financial Statements give a true and complete view of financial status, business performance and cash flow, etc., of the Company.

## IV. Explanations of major accounting policies and accounting estimates:

### 1. Accounting year

The accounting year of the Company begins on 1 January and ends on 31 December of the Gregorian calendar.

### 2. Functional currency and foreign currency transactions

The functional currency of the Company is RMB. The amount of transactions in foreign currencies occupied was translated into RMB at the market exchanged rate on the date of transactions. Adjustments are made to the RMB balance the accounts in foreign currencies at the end of each year. Differences were recorded the item of “exchange gains and losses”.

### 3. Policies on the accounting of bad debt and provision for bad debts

#### 3.1 Conditions to recognize losses from bad debts:

Losses from bad debts shall be recognized when any of the following conditions is satisfied for accounts receivable and other account receivables:

3.1.1 A debtor has been dead, and the claim still cannot be recovered after the property of the deceased has been settled;

3.1.2 A debtor is declared bankrupt, and the claim

## HANUNG (SHANGHAI) Ltd.

still cannot be recovered after bankruptcy property has been settled;

3.1.3 A debtor fails to perform its repayment obligation for a relatively long period and sufficient evidence available can prove that the claim cannot be recovered or the recoverable possibility is little.

3.2 Accounting policy on provision of bad debts: Based on the nature of accounts receivable and estimated recovery risk the Company shall make provision of bad debts on the basis of specific identification.

## 4. Accounting method for Inventory

The obtaining cost of the inventory is accounted in accordance of its actual cost. While the low-value consumption goods are accounted in accordance with once-amortization method

Inventory falling price reserves:

The inventories valuation adopted whichever is lower in accordance with the cost and the net realizable value end of period, and to accrued the Inventory falling price reserves according to the balance of the cost of inventories is higher than the net realizable value.

## 5. Accounting method for fixed assets and fixed asset depreciation:

5.1 Fixed assets include the assets whose service life is over one year, including buildings and structures, machinery, plants, transportation tools and other equipment, instruments and tools, etc., related to production and operation. In addition, the articles, that do not belong to main equipment for production and operation but their unit value is over RMB2000 and their service life is over two years, can also be listed as fixed assets

5.2 The depreciation of fixed assets uses composite life method. To determine asset life and annual depreciation rate of fixed assets according to 5% salvage cost reserved and the type of the fixed assets.

Type of the fixed assets	Depreciation period (years)	Annual depreciation rate (%)
Office canteen	5	19

### 5.3 The provision for impairment of fixed assets:

The value of fixed assets adopted whichever is lower in accordance with the carrying amount and the recoverable amount of fixed assets end of period, and to accrued the provision for Type of fixed assets 1 Depreciation period (years) Annual depreciation rate (%) impairment of fixed assets according to the balance of the carrying amount is higher than the Office canteen recoverable amount of fixed assets.

## 6. Amortization method of the long-term deferred and prepaid expenses:

Amortization of start-up expenses: start-up expenses of the company from a start of production were recorded and operation included in the current period's profit and loss.

## Notes to Accounting Statements for the year ended 2009 (Contd...)

## HANUNG (SHANGHAI) Ltd.

7. Recognition of the business revenue:  
The realization of business revenue will be recognized when all of the following conditions are met:
- 7.1 The company has transferred all major risks and remunerations on the title of the commodities to the buyer.
- 7.2 The company does not retain the on-going administration right that is generally related with the title, and does not control the commodities that have already been sold,
- 7.3 The economic benefits in connection with the transaction could flow into the company.
- 7.4 The relevant revenues and cost could accurately be measured.
8. Main tax and tax rate:
- Value Added Tax : 3 % of service income and small-scale taxpayer
- Waterway fee : 1% of turnover tax
- Income Tax : 25% of taxable income

### V. Explanations of important matters in the accounting statements:

1. Monetary capital:

Items	Year-end amount	Year-beginning amount
Cash	3,700.50	
Bank deposit	1,058,023.24	
Total	1,061,723.74	

Among the bank deposit : USD154,949.07 convert into RMB1,058,023.24

2. Other accounts receivable

(1) Disclosure by aging period:

Aging period	Year-end book value balance		Year-beginning bookvalue balance	
	Amount	Bad debt reserve	Amount	Bad debt reserve
Within one year (including one year)	7,650.00			
Total	7,650.00			

(2) Disclosure by customer type:

Customer type or customer name	Year-end book value balance	Year-beginning book value balance
Premises deposit	7.600.00	
water bucket deposit	50.00	
Total	7.650.00	

3. Fixed assets

Items	Year Beginning amount	Increase of this year	Decrease of this year	Year-end amount value balance
Original value		41,750.00		41,750.00
Office equipment		41,750.00		41,750.00
Accumulated depreciation		1,327.66		1,327.66
Office equipment		1,327.66		1,327.66
net value		41,750.00	1,327.66	40,422.34
Office equipment		41,750.00	1,327.66	40,422.34

4. Employee's salary

Items	Year Beginning amount	Increase of this year	Decrease of this year	Year-end amount value balance
Salary bonus		233,806.80	233,806.80	
Total		233,806.80	233,806.80	

**Notes to Accounting Statements  
for the year ended 2009 (Contd...)**

**HANUNG (SHANGHAI) Ltd.**

5. Other payable

Items	Year-end book value balance	Year-beginning book value balance
Hanung Toys and Textiles Limited India	798,728.70	
Total	798,728.70	

Payable Hanung Toys and Textiles Limited India USD116,975.00 convert into RMB 798,728.70.

6. Paid-in capital

Investor	Year-end balance		Year-beginning balance
Hanung Toys and Textiles Limited India	USD150,000.00	RMB1,024,185.00	
Total	USD150,000.00	RMB1,024,185.00	

which has been verified by Shanghai Lingxin Certified Public Accountants Co.,Ltd by Ling Hui Fa No.1122 (2009) Capital Verification Report at December 29, 2009

7. Undistributed profit

Item	Year- beginning book value balance	Net profit transferred this year	Year- end book value balance
		-713,117.62	-713,117.62

8. Management expenses

The incurrence amount of this year is RMB707,480.43, the major of which include:

Items	Incurrence amount of this year	Incurrence amount of last year
Salary	233,806.80	
Office expenses	80,933.60	
Travel expenses	114,853.90	
Depreciation expenses	1,327.66	
Insurance expenses	7,482.00	
Lease expenses	166,933.10	
Communication expenses	25,410.20	
Transportation	13,037.00	
water and electricity charge	2,573.50	
Consultant expenses	51,753.27	
Business entertainment expenses	9,143.40	
Tax	226.00	
Total	707,480.43	

9. Financial expenses

Items	Incurrence amount of this year	Incurrence amount of last year
2. Interest income	-34.62	
3. Exchange losses	1,416.25	
4. Bank fee	4,255.56	
Total	5,637.19	

**VI. Contingencies**

There exist no contingencies that need disclosure.

**VII. Post Balance sheet date events**

There exist no post balance sheet date events that need disclosure.

**Notes to Accounting Statements  
for the year ended 2009 (Contd..)**

**HANUNG (SHANGHAI) Ltd.**

**VIII. Related-party relations and transactions**

Major related-party transaction companies:

Name of company	Relation with this company	Major transaction content of this year	Current Account Name	The amount of current account
Hanung Toys and Textiles Limited India	Parent company	Current Account	Other accounts receivables	798,728.70

**IX. Supplementary information of cash flow statement**

Supplementary information	Line No.	This Year	Last Year
1. Net profit adjusted for the cash flow from operating activities:	1		
Net profit	2	-713,117.62	
Add : Fprovision for asset impairment	3		
Depreciation of fixed assets, oil and gas asset depletion, the production of biological assets depreciation	4	1,327.66	
Amortization of intangible assets	5		
Amortization of long-term prepaid expenses	6		
Loss from disposal of fixed assets, intangible assets and other long-term asset (for net gains filled with "-")	7		
Loss from fixed assets scrapped (for net gains filled with "-")	8		
Earnings from change of fair value (for net gains filled with "-")	9		
Financial expenses (for net gains filled with "-")	10		
Loss from investment (for net gains filled with "-")	11		
Deferred income tax assets decreased (for increase filled with "-")	12		
Deferred income tax liabilities added (for decrease filled with "-")	13		
Inventories decreased (for increase filled with "-")	14		
Reduction in operating receivables (for increase filled with "-")	15	-7,650.00	
Reduction in operating payables (for decrease filled with "-")	16	798,728.70	
Other	17		
Net cash flow from operating activities	18	79,288.74	
2. not involving cash and cash equivalents in significant investment and financing activities•F	19		
Conversion of debt into capital	20		
Convertible corporate bonds maturing within one year	21		
Fixed assets of finance lease	22		
3. Changes of cash and cash equivalents•F	23		
Ending balance of cash and cash equivalents	24	1,061,723.74	
Decrease•Fbeginning balance of cash	25		
Add : FEnding balance of cash equivalents	26		
Decrease : Fbeginning balance of cash equivalents	27		
Net increase of cash and cash equivalents	28	1,061,723.74	

Hanung (Shanghai) Ltd.

December 31, 2009

## Balance Sheet as at 31st December, 2009

## HANUNG (SHANGHAI) Ltd.

PARTICULARS	Schedule	As At 31.03.2009 Amount (Rs.)
<b>SOURCES OF FUNDS</b>		
<b>SHAREHOLDERS' FUND</b>		
Share Capital	"A"	6,960,859
<b>Total</b>		<b>6,960,859</b>
<b>APPLICATION OF FUNDS</b>		
<b>FIXED ASSETS</b>		
Gross Block	"B"	283,753
Less : Accumulated Depreciation		9,023
Net Block		274,730
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Cash & Bank Balances	"C"	7,215,991
Loans & Advances		51,993
		7,267,984
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
Current Liabilities	"D"	5,428,548
<b>NET CURRENT ASSETS</b>		1,839,435
<b>PROFIT &amp; LOSS ACCOUNT</b>		4,846,694
<b>Total</b>		<b>6,960,859</b>

**NOTE:** This Balance Sheet has been recast in accordance with the requirements of the Schedule VI of the Companies Act 1956.

The currency conversion has been done as follows-

a) 1 USD = 6.83 RMB Yuan

b) 1 USD = 46.42 INR

## The Profit and Loss Account for the period ended on 31st December 2009

<b>INCOME</b>			—
<b>Total</b>			—
<b>EXPENDITURE</b>			
Establishment Overheads	"E"		1,589,065
Administrative Overheads	"F"		3,210,293
Financial Overheads	"G"		38,313
Depreciation	"B"		9,023
<b>Total</b>			<b>4,846,694</b>
<b>Net Loss before Tax</b>			<b>(4846694)</b>
Less : Provision for Tax - Income Tax			—
<b>Net Loss carried over to Balance Sheet</b>			<b>(4846694)</b>

**NOTE:** This Profit & Loss A/c has been recast in accordance with the requirements of the Schedule VI of the Companies Act 1956.

The currency conversion has been done as : a) 1 USD = 6.83 RMB Yuan b) 1 USD = 46.42 INR

**Schedules to the Balance Sheet  
as at 31st December 2009**

**HANUNG (SHANGHAI) Ltd.**

PARTICULARS	Schedule	Amount (Rs.)
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL</b>		
Authorised Share Capital 200000 USD		<u>9,284,000</u>
Issued, Subscribed & Paid Up Capital 150000 USD		<u>6,960,859</u>
<b>SCHEDULE "C"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Cash &amp; Bank Balances</b>		
Cash in hand	25,150	
Balance with Scheduled Banks in C/A	<u>7,190,840</u>	
		7,215,991
<b>Loans &amp; Advances</b>		
(Unsecured, considered good)		
Security Deposits	<u>51,993</u>	
		51,993
<b>Total</b>		<u><u>7,267,984</u></u>
<b>SCHEDULE "D"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors - Hanung Toys & Textiles Ltd		<u>5,428,548</u>
<b>Total</b>		<u><u>5,428,548</u></u>

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST DECEMBER 2009**

<b>SCHEDULE "E"</b>		
<b>ESTABLISHMENT OVERHEADS</b>		
Salaries & Allowances		<u>1,589,065</u>
<b>Total</b>		<u><u>1,589,065</u></u>
<b>SCHEDULE "F"</b>		
<b>ADMINISTRATIVE OVERHEADS</b>		
Cellular & Telephone Expenses		172,700
General Expenses		682,085
Professional & Legal Charges		351,740
Rent, Rates & Taxes		1,134,558
Travelling Others		<u>869,209</u>
<b>Total</b>		<u><u>3,210,293</u></u>
<b>SCHEDULE "G"</b>		
<b>FINANCIAL OVERHEADS</b>		
Bank Charges		<u>38,313</u>
<b>Total</b>		<u><u>38,313</u></u>



HANUNG TOYS AND TEXTILES LIMITED  
 SCHEDULE OF FIXED ASSETS AS ON 31.12.2009 SCHEDULE - "D"

Amount (Rs.)

S. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		OP. BAL. AS ON 01.01.2009	ADDITIONS	DELETIONS	TOTAL AS ON 31.12.2009	OP. BAL. AS ON 31.12.2009	FOR THE YEAR	ON DELETIONS	UPTO 31.12.2009	AS AT 31.12.2009	AS AT 31.12.2008
1	FURNITURE, FIXTURE & EQUIPMENTS	0	283,753	0	283,753	0	9,023	0	9,023	274,730	0
<b>TOTAL :</b>		<b>0</b>	<b>283,753</b>	<b>0</b>	<b>283,753</b>	<b>0</b>	<b>9,023</b>	<b>0</b>	<b>9,023</b>	<b>274,730</b>	<b>0</b>

**Cash Flow Statement as at 31st December 2009****HANUNG (SHANGHAI) Ltd.**

<b>PARTICULARS</b>		<b>Amount (Rs.)</b>
<b>A CASH FLOW FROM OPERATIVE ACTIVITIES</b>		
Profit before tax	(4,846,694)	
Adjustments for :		
Depreciation	9,023	
Interest and finance charges	38,313	
<b>Operating profit before working capital changes</b>	<b>(4,799,357)</b>	
Adjustments for changes in working capital :		
Advances (Increase) / Decrease	(51,993)	
Current Liabilities & Provisions Increase / (Decrease)	5,428,548	
<b>Cash generated from operations</b>	<b>577,198</b>	
<b>Net Cash from Operating Activities</b>		<b>577,198</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in Share Capital	6,960,859	
Payments for asset acquisition	(283,753)	
<b>Net cash flow used in investing activities</b>		<b>6,677,106</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest and finance charges paid - net	(38,313)	
<b>Net cash flow from financing activities</b>		<b>(38,313)</b>
<b>Net cash inflow / (outflow)</b>		<b>7,215,991</b>
Opening cash and cash equivalents		—
Closing cash and cash equivalents		7,215,991
<b>Net increase / (decrease) in cash equivalents</b>		<b>7,215,991</b>

**NOTE:** This Cash Flow Statement has been recast in accordance with the requirements of the of the Companies Act 1956.

The currency conversion has been done as follows-

a) 1 USD = 6.83 RMB Yuan

b) 1 USD = 46.42 INR

# HANUNG TOYS AND TEXTILES LIMITED

Registered Office : E-93, 2nd Floor, Greater Kailash Enclave-I, New Delhi – 110 048

## ATTENANCE SLIP

**20th Annual General Meeting – July 26, 2010**

Regd. Folio No/DP ID No/Client ID	<table border="1" style="width: 100%; height: 15px; border-collapse: collapse;"> <tr> <td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td> </tr> </table>																				
No. of Shares held	<table border="1" style="width: 100%; height: 15px; border-collapse: collapse;"> <tr> <td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td> </tr> </table>																				

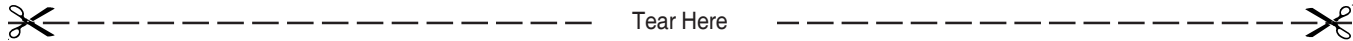
**For Physical Shareholders Only**

Name & Address of the Shareholder	Regd. Folio No.	No. of Shares held

I hereby record my presence at the 20th Annual General Meeting of the Company at Air force Auditorium, Subroto Park, New Delhi – 110 010 on Monday, the 26th day of July, 2010 at 4:00 P.M.

If Shareholder, please sign here	If Proxy, please sign here

Members are requested to fill up the attendance slip and hand it over at the venue. Members are requested to bring their copy of Annual Report to the meeting as no copies will be distributed at the venue.



# HANUNG TOYS AND TEXTILES LIMITED

Registered Office : E-93, 2nd Floor, Greater Kailash Enclave-I, New Delhi – 110 048

## PROXY FORM

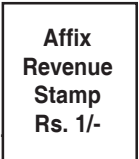
**20th Annual General Meeting – July 26, 2010**

Regd. Folio No/DP ID No/Client ID	<table border="1" style="width: 100%; height: 15px; border-collapse: collapse;"> <tr> <td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td> </tr> </table>																				

I/We .....of .....in the district of.....being a member(s) of **Hanung Toys and Textiles Limited** hereby appoint.....of.....in district of.....or failing him/her.....of.....in the district of.....as my / our proxy to vote for me / us on my / our behalf at the 20th Annual General Meeting of the Company to be held on Monday, the 26th day of July, 2010 at Air force Auditorium, Subroto Park, New Delhi- 110010 at 4:00 P.M. and at my adjournment thereof.

Signed this.....day of....., 2010

Signature : .....



**Note:** The proxy in order to be effective must be deposited at the Registered Office of the Company at the above mentioned address not less than 48 hours before the time for holding the aforesaid meeting and should be duly stamped, completed and signed.