

ESTER INTERNATIONAL (USA) LTD.

DIRECTORS' REPORT

The Directors present their report and the financial statement for the year ended on 31st March 2011.

PRINCIPAL ACTIVITY

The principal activity of the Company is to trade in Polyester Film in the North and South American markets, manufactured by Ester Industries Limited.

PERFORMANCE

The Directors of the Company report that the Company has discontinued its operations as custom duties were increased to 24.96% consequent to the imposition of Anti-subsidy and Anti-dumping duties on Indian manufacturers of Polyester Film including the Parent Company, Ester Industries Limited. This has resulted into making the product uncompetitive in North American markets.

The results are enclosed herewith.

The Board approved this report on 21st April 2011.

A.K. Singhania
Chairman

A.K. Newatia
Director

R. Rehani & Co.
Certified Public Accountants, P.C.
350 Fifth Avenue, Suite 5416 New York, NY 10118

INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors
Ester International (USA) Ltd.

We have audited the accompanying balance sheet of Ester International (USA) Ltd. as at March 31, 2011 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ester International (USA) Ltd. as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with principles generally accepted in United States of America.

New York
April 8, 2011

ESTER INTERNATIONAL (USA) LTD.

BALANCE SHEET AS AT MARCH 31, 2011 (DISCONTINUED OPERATIONS)

ASSETS

Current assets:	(\$)
Cash	2,432
Other current assets	1,406
Total current assets	3,838
Total Assets	3,838

LIABILITES AND STOCKHOLDER'S EQUITY

Current liabilities:	(\$)
Accrued expenses	7,250
Custom duties payable - note 2	145,978
Due to parent company	7,187
Total current liabilities	160,415
Stockholder's equity:	
Common stock, no par value; authorized 200 shares; issued and outstanding 200 shares	200
Additional paid in capital	24,800
Retained earnings (deficit)	(181,577)
Total stockholder's equity	(156,577)
Total Liabilites And Stockholder's Equity	3,838

See accompanying notes and accountants' report

ESTER INTERNATIONAL (USA) LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED MARCH 31, 2011
(DISCONTINUED OPERATIONS)

	(\$)
Income:	
Receipts	-
Expenses:	
Professional fees	2,000
Bank charges	25
	2,025
Loss before other income and expenses	(2,025)
Other income and expenses:	
Difference in exchange	16
Net loss	(2,009)
Retained earnings (deficit) – beginning	(179,568)
Retained earnings (deficit) – end	(181,577)

ESTER INTERNATIONAL (USA) LTD.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011
(DISCONTINUED OPERATIONS)

	(\$)
Increase (decrease) in cash:	
Cash flows from operating activities:	
Net loss	(2,009)
Net cash used in operating activities	(2,009)
Cash flows provided by financing activities:	
Due from parent company	984
Net cash provided by financing activities:	984
Net decrease in cash	(1,025)
Cash – beginning	(3,457)
Cash – end	(2,432)
Supplemental disclosures:	
Taxes paid	-

See accompanying notes and accountants' report

ESTER INTERNATIONAL (USA) LTD.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
(DISCONTINUED OPERATIONS)

Note 1 - Summary of significant accounting policies:

a) Organization and business activity:

Ester International (USA) Ltd. was incorporated under the laws of the State of New Jersey on May 8, 1997. The company was in the business of importing polyester film and engineering polymer products from its parent company in India. The company has discontinued its operations in 2003 due to increase in custom duties to 24.96% making the product uncompetitive in the USA market.

b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from the estimates.

Note 2 - Custom duties payable:

The company is under an investigation by Department of Commerce for anti-dumping and countervailing duties on import of PET films from India. The Department of Commerce has determined a preliminary combined rate of 24.96% on PET film imports by the company beginning October 23, 2001. The company estimated and provided an additional duty of \$171,821 on such imports between October 23, 2001 and March 31, 2003. Present outstanding against this liability is \$145,978.

See accompanying notes and accountants' report

ESTER INTERNATIONAL (USA) LTD.

**BALANCE SHEET
AS AT MARCH 31, 2011
(DISCONTINUED OPERATIONS)**

ASSETS

Current assets :	As at 31st March 2011 (INR in Lacs)	As at 31st March 2010 (INR in Lacs)
Cash	1.08	1.57
Due from Parent Company	0.00	0.00
Other current assets	0.62	0.64
Total current assets	1.70	2.21
Total Assets *	1.70	2.21
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities** :		
Accrued expenses	3.22	3.29
Custom duties payable - note 2	64.82	66.16
Due to parent company	3.19	2.81
Total current liabilities	71.23	72.26
Stockholder's equity :		
Common stock, no par value; authorized 200 shares; issued and outstanding 200 shares	0.08	0.08
Additional paid in capital	9.61	9.61
Retained earning (deficit)	(79.22)	(79.74)
Total stockholder's equity	(69.53)	(70.05)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY**	1.70	2.21

ESTER INTERNATIONAL (USA) LTD.
STATEMENT OF INCOME AND RETAINED EARNING
AS AT MARCH 31, 2011
(DISCONTINUED OPERATIONS)

	For the Year Ended 31st March 2011 (INR in Lacs)	For the Year Ended 31st March 2010 (INR in Lacs)
Income:***		
Receipts	-	-
Difference in exchange	1.42	8.58
Total income	1.42	8.58
Expenses:****		
Professional fees	0.89	0.91
Business taxes	0	0.29
Bank charges	0.01	0
Difference in exchange	-	0
Total expenses	0.90	1.20
Net (loss)/Gain	0.52	7.38
Retained earnings (deficit) -beginning	(79.74)	(87.12)
Retained earnings (deficit) -end	(79.22)	(79.74)

ESTER INTERNATIONAL (USA) LTD.
STATEMENT OF CASH FLOW
AS AT MARCH 31, 2011
(DISCONTINUED OPERATIONS)

	For the Year Ended 31st March 2011 (INR in Lacs)	For the Year Ended 31st March 2010 (INR in Lacs)
Increase (decrease) in cash :		
Cash flows from operating activities :		
Profit/ (Net loss)	0.52	7.38
Changes in assets and Liabilities :		
Other current assets	0.02	(0.08)
Accrued expenses	(0.07)	(0.95)
Net cash used in operating activities	0.47	6.35
Cash flows provided by financing activities :		
Due from parent company	(0.96)	(6.54)
Net cash provided by financing activities :	(0.96)	(6.54)
Net decrease in cash	(0.49)	(0.19)
Cash - beginning	1.57	1.76
Cash - end	1.08	1.57
Supplemental disclosures:		
Taxes paid	0.00	0.00

Note : The above said accounts have been converted into INR as per the requirement of Schedule VI of the companies Act, 1956.

* Total assets have been converted at TT Buying Rate as on 31st March 2011 & 31st March 2010 respectively.

** Total liabilities have been converted at TT Selling Rate as on 31st March 2011 & 31st March 2010 respectively.

*** All income have been converted at TT Buying Rate as on 31st March 2011 & 31st March 2010 respectively.

**** All expenses have been converted at TT Selling Rate as on 31st March 2011 & 31st March 2010 respectively.