

REPORT AND ACCOUNTS 2005-2006



GKW Limited

MANAGING DIRECTOR
J D Curravala
WHOLETIME DIRECTOR
G Srinivasan

DIRECTORS
P N Biyani
M L Lahoti
N K Navalakha
P K Banerji

SECRETARY
J N Ghosh

AUDITORS
Lodha & Co.

REGISTERED OFFICE
3A Shakespeare Sarani
Kolkata 700 071
Phone : 2282 2385/2386
Fax : 2282 9747
E-mail : gkw@cal2.vsnl.net.in

BANKERS

State Bank of India
State Bank of Hyderabad
Bank of India
Indian Overseas Bank

REGISTRAR & SHARE TRANSFER AGENT

(For Physical & Demat)
C. B. Management Services Pvt. Ltd.
P-22, Bondel Road
Kolkata 700 019
Phone : 2280 6692 - 94
Fax : 2247 0263
E-mail : cbmsl1@cal2.vsnl.net.in

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DIRECTORS' REPORT TO THE SHAREHOLDERS

- Your Directors submit their Annual Report together with the audited accounts for the year ended 31st March, 2006.
- The results for the year under review are given below :

	Rs. Crores	
	<u>2005-2006</u>	<u>2004-2005</u>
Sales	130.19	82.63
Profit/(Loss) before interest and depreciation	7.90	(0.01)
Interest	(5.37)	(18.20)
Gross Profit/(Loss)	2.53	(18.21)
Depreciation	(8.46)	(8.70)
Profit/(Loss) before Tax	(5.93)	(26.91)
Taxation (Net)	2.89	3.32
Profit/(Loss) after taxation but before Exceptional items	(3.04)	(23.59)
Exceptional items	24.95	-
Profit/(Loss) after taxation and Exceptional items	<u>21.91</u>	<u>(23.59)</u>

As can be seen from the above table, your Company improved its performance during the year ended 31st March 2006.

- Sales increased by Rs. 47.56 Crores (58%) mainly on account of recovery through selling price of the steep increases in cost of raw materials, especially ferro alloying elements.
 - Profit before interest and depreciation amounted to Rs. 7.90 Crores against a loss of Rs. 0.01 Crores in the previous year.
 - A substantial reduction in loss after tax (but before Exceptional items – Rs. 24.95 Crores) of Rs.20.55 crores during the year under review was largely a function of the operating profit on the one hand and reduction in interest charge on the other.
- In view of the carried forward loss, your Directors regret their inability to recommend any dividend in respect of equity shares for the year ended 31st March, 2006.

FINANCE & ACCOUNTS

- Share Capital - in terms of BIFR Order dated 5th October 2005, the Company allotted 3,00,00,000 Equity shares at par aggregating to Rs. 3000 lakhs and 2,30,00,000 10% non-convertible redeemable preference shares of Rs. 10/- each at a premium of Rs. 25/- per share aggregating to Rs. 8050 lakhs redeemable within one year.
- Bank overdraft at Rs. 1387 lakhs was substantially lower than Rs. 11986 lakhs as at the end of the previous year, mainly on account of settlement of bankers dues and waiver of interest in terms of

BIFR Order dated 1st August 2005. The total borrowings as at 31st March 2006 amounted to Rs. 3422 lakhs (2004/05 Rs. 13797 lakhs).

- Capital expenditure for the year amounted to Rs. 7 lakhs (2004/05 Rs. 6 lakhs) and value of assets put into use during the year amounted to Rs.14 lakhs (2004/05 Rs. 6 lakhs).
- An amount of Rs. 22 lakhs (same as previous year) no longer required to be kept in Property Revaluation Reserve has been transferred to Profit and Loss Account.
- As regards non-availability of vouchers, related documents and physical verification of assets in units under suspension of operation etc referred to in the Auditors' Report Note No. 27(d) to the Accounts is self explanatory.
- As regards non verification of net recoverable value of the fixed assets referred to in the Auditors' Report, Note No 27(f) to the Accounts is self-explanatory.

CONSOLIDATED ACCOUNTS

- In compliance with Accounting Standard 21 of The Institute of Chartered Accountants of India, consolidated accounts are annexed hereto. As regards Auditor's comments on non-inclusion of GKW Cement Limited, Note No. 27(e) to the Accounts is self-explanatory.

MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS

11. RESTRUCTURING

During the year under review, the Board for Industrial and Financial Reconstruction (BIFR) vide its Order dated 1st August 2005 sanctioned a scheme for revival and rehabilitation of the Company. The sanctioned scheme envisaged organisational, business and financial restructuring. In order to facilitate expeditious implementation of the said scheme, BIFR vide its Order dated 5th October 2005, inter alia permitted the promoters / Company to infuse Rs. 30 crores in the form of equity shares and upto a maximum of Rs. 125 crores by way of redeemable preference shares towards repayment of the settled dues of the Company's secured creditors and employees.

Pursuant to the said Order, the Company issued and allotted equity and redeemable preference shares as mentioned in para 4 above. The funds infused through the share allotment were utilised in terms of the sanctioned scheme as under :

- to settle the dues of the Company's Bankers, thus ensuring substantial reduction in borrowings with corresponding reduction in the interest burden of the Company. This is a major step towards financial restructuring and would also enable the Bankers to release appropriate working capital finance to the operating divisions of the Company.

- (b) to settle the dues of the employees of the Bangalore and Bhandup, Mumbai units of Sankey Electrical Stampings Division as also the dues of employees of Wheels Division, Durgapur. This is yet another step towards rationalisation of employee cost on the one hand and restructuring of business operations of the said divisions on the other.

The positive impact of the above referred financial and organisational restructuring undertaken since the sanction of the scheme is already reflected in the working results of your Company for the year ended 31st March 2006.

Your Directors are vigorously pursuing implementation of the sanctioned scheme in order to complete the restructuring as expeditiously as possible, and move on to consolidate the viable businesses of the Company. Towards this end, the Company has recently made a one time settlement with Unit Trust of India (UTI) and Army Group Insurance Fund (AGI), holders of 19% non-convertible debentures, for full and final settlement of all their dues against the said debentures. Your company has now reached a stage where its objectives would be :

- (a) to build a business model which can successfully withstand periods of economic downturns and grow rapidly during periods of economic prosperity.
- (b) enhance stakeholder value in all operating scenarios/ conditions.

In order to achieve the stated objectives, your directors seek co-operation and support from all stakeholders and hope that wiser counsel would prevail over certain section of employees who are opposing the implementation of the sanctioned scheme through appeals filed with the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) despite the demonstrated benefits of restructuring accruing to the Company and its stakeholders. Your Directors are taking all necessary steps to ensure that such actions do not go against the interest of the committed sections of employees and the Company at large.

OPERATIONS

12. Coming to the operating divisions, your Directors are pleased to report that prospects of Powmex Steels Division can further improve with judicious use of the working capital facilities which have recently been released by its bankers. All efforts will be made to ensure increased volumes which hitherto had to be sacrificed for want of timely financial support.

Sales of this division during the period under review, were substantially higher as compared to the previous year, mainly on account of recovery through pricing of the steep increase in ferro alloy prices. There was some improvement in the operating margins compared to the very low margin obtained during the previous year.

Demand for the division's products remains firm in the domestic market however, exports remain a thrust area and vigorous efforts will be made to exploit the full potential of this market. The importance of strict cost control and much improved operational efficiencies from all factors of production cannot be over emphasised. This alone would ensure profitability and growth on a sustainable basis both in the domestic and export markets.

Your Directors are preparing a blue print for major overhauling and refurbishing of the division's plant & equipment and also for investment in some balancing plant to enhance operating efficiency.

13. Screws and Fasteners Division tendered a marginal increase in turnover and profits. This division continues to face price competition from the unorganised sector resulting in loss of market share. A major constraint is high employee cost in relation to throughput. Efforts are at hand to improve efficiencies and undertake brand promotion for future growth. In this division also, refurbishing of plant and product mix rationalisation would be implemented to improve market share.
14. Metal Pressings Division at Pune is basically operating as a conversion agent for auto ancillaries. The margins in this kind of business are generally low, but given the tight liquidity situation, this business model offered the advantage of operating with minimum working capital and a very small customer base. Since this division is mainly catering to the small car segment, it is currently experiencing firming up of demand for metal pressed components in keeping with the improved demand for 'B' segment cars. Your Directors would endeavour to increase the customer base in the medium term and aim for a judicious mix between components supplied on conversion basis and components manufactured and supplied with raw materials procured by the Company. Like in the case of other operating divisions, this division will also require overhaul of plant in a phased manner with minimum impact on the operations.
15. In the case of Sankey Electrical Stampings Units at Bangalore and Bhandup, restructuring and rationalisation of the workforce in terms of the sanctioned scheme has already been achieved as stated above.
16. The Andul Road Works (ARW) divisions, comprising Steel, Bolt & Nut, Engineering & Machinery and a unit of Sankey Electrical Stampings division continued to remain under suspension of work. The sanctioned scheme envisages running only the Bolt & Nut division based on certain operating parameters on a truncated scale to make it viable. However, as the ARW labour unions are opposing the rehabilitation package and rationalisation of workforce as envisaged in the sanctioned scheme and have filed an appeal against the BIFR order,

in the AAIFR, implementation of the rehabilitation package pertaining to ARW divisions is currently stalled. The Company will initiate further action based on the outcome of the said appeal.

RISKS AND CONCERNS

17. Your Directors recognize that there are uncertainties and risks attached to any business. The risks could be external, internal, or a combination of both. External risks can be intensification of competition, product substitution, technological obsolescence, changes in Government policy with regard to taxes and levies or economic slowdown adversely impacting demand and profitability. Such risks will be continuously monitored and appropriate action taken by the company to minimize the same. Internal risks comprise operating risks, financial risks and business risk. The company will take effective steps to deal with such risks.

All operating Divisions of the Company would identify any risks as perceived by them and take immediate steps to minimize the impact and at the same time submit a report to the next higher level of reporting.

INTERNAL CONTROL

18. The Company has adequate internal control system to ensure protection of assets against loss from unauthorised use or disposal, proper maintenance of accounting records and adherence to Company's policies and procedures. The Company has an Internal Audit system which is commensurate with its size and nature of its business. An Audit Committee of the Board of Directors periodically reviews the internal control systems to ensure their effectiveness and adequacy as also the annual financial statements with particular reference to major accounting entries, involving estimates based on the exercise of judgment by the management.

HUMAN RESOURCES

19. The Industrial Relations situation was generally stable with no material developments in the human resources/industrial relations front during the period under review. The total number of employees was 1839 as on 31st March, 2006.

OUTLOOK

20. Your Directors are of the view that after further restructuring of the Company's operations, your Company can look forward to the future with confidence.

EXPORTS

21. Products exported during the year amounted to Rs.2023 lakhs (2004/2005 Rs.1231 lakhs). Powmex Steels Division accounted for total exports.

22. Earnings in foreign exchange during the year amounted to Rs.1977 lakhs (2004/2005 - Rs.1202

lakhs) and outgo was Rs. 3527 lakhs (2004/2005 - Rs.1904 lakhs).

CONSERVATION OF ENERGY

23. The prescribed Form 'A' relating to conservation of energy in the Company's Powmex Steels Division at Titilagarh in Orissa is annexed.

- Electricity consumption in melting was higher as compared to the previous year due to higher production of cobalt grade steels in the current year. More rigid specification of chemistry demanded by the customers also lead to higher processing time in the melting shop.
- Higher electricity consumption in bright bar was mainly due to product mix, involving higher quantities of smaller sizes.
- HSD / FO consumption was higher, due to larger quantities of flat and square sections being rolled in the current year leading to more consumption in reheating area in relation to tonnage.

TECHNOLOGY AND RESEARCH & DEVELOPMENT

24. During the year under review Powmex Steels Division :

- introduced a new grade viz. cold work steel (grade S7) for the export market.
- modified the rolling mill suitably for rolling of small sizes upto 6.2 mm diameter.

SUBSIDIARY COMPANIES

25. Accounts and annual reports of the subsidiary companies have been appended hereto.

PARTICULARS OF EMPLOYEES

26. There was no employee in receipt of remuneration the particulars of which are required to be given as per Companies (Particulars of Employees) Rules 1975 (as amended)

DIRECTORS

27. Mr. M. L. Lahoti and Mr. N. K. Navalakha, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

28. In terms of the Sanctioned Scheme of the BIFR, Mr. P.K. Banerji was appointed as Special Director by BIFR on the Board of Directors of the Company with effect from 5th December, 2005.

AUDITORS

29. Messrs. Lodha & Company, the retiring Auditors, have expressed their willingness to be re-appointed.

**DIRECTORS' RESPONSIBILITY STATEMENT
PURSUANT TO SECTION 217 (2AA) OF THE
COMPANIES ACT, 1956.**

30. The Directors hereby confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 that period;
- iii) that the Directors had 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;

iv) that the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

31. The Company has taken adequate steps to ensure compliance of the mandatory provisions of Corporate Governance as issued by Securities and Exchange Board of India vide Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29.10.2004. A report on Corporate Governance is appended hereto.

ACKNOWLEDGEMENT

32. The Board of Directors would like to thank the Company's customers, employees, shareholders, bankers, financial institutions, suppliers and all others associated with the Company for their continued support.

For and on behalf of the Board

Kolkata
29th June, 2006

J D Curravala
Managing Director

G. Srinivasan
Director

FORM - A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

	<u>Current Year Ended 31.03.2006</u>	<u>Previous Year Ended 31.03.2005</u>
	<u>Powmex Steels Division</u>	<u>Powmex Steels Division</u>
(A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units (KWh million)	7.53	7.44
Total Amount (Rs. Crores)	3.28	3.25
Rate/Unit (Rs.)	4.36	4.37
b) Own Generation (Diesel Generator)	Nil	Nil
Unit (KWh)	Nil	Nil
Unit/Litre of Diesel Oil	Nil	Nil
Cost/Unit - Variable (Rs.)	Nil	Nil
2. HSD/Furnace Oil		
Quantity (Kilo Litre)	1842	1818
Total Amount (Rs.Crores)	4.57	3.94
Average Rate/Kilo Litre (Rs.)	24836	21672
(B) CONSUMPTION PER UNIT OF PRODUCTION (M.T.)		
Electricity (KWh/tonne)		
	Melting	997
	Black Bar	926
	Bright Bar Finishing	143
	Heat Treatment	134
HSD/Furnace Oil (Litre/tonne)	Rolled Product	383
		347

REPORT ON CORPORATE GOVERNANCE

The following is a report on the Code of Corporate Governance practiced by your Company.

1. Company's Philosophy on Corporate Governance

The Company has always recognised the importance of good Corporate Governance and has strived to practice and improve its focus on it by increasing transparency and accountability to its shareholders and other stakeholders.

2. Composition Category and Directorship in other Companies

Board of Directors

Director	Executive/ Non-executive Independent	Member of Board of Other Public Cos.	Total No. of other committee membership held	
			As Chairman	As Member
Mr. J. D. Curavala	Executive	-	-	-
Mr. G. Srinivasan	Executive	-	-	-
Mr. P.N. Biyani	Non-Executive*	-	-	-
Mr. M.L. Lahoti	Non-Executive*	GKW (Overseas Trading) Limited	-	-
Mr. N.K. Navalakha	Non-Executive*	-	-	-
Mr. P.K. Banerji	Special Director* (w.e.f. 05.12.2005)	Bombay Stock Exchange Ballarpur Industries Limited, Schlafhorst Engg. (India) Ltd.	-	-

* also independent

Board, Annual General Meeting and Attendance

Board Meetings were held on 15th June'05, 25th August'05, 11th November'05, 29th November'05, 9th January'06, 30th January'06 and 21st February, 2006. The Annual General Meeting was held on 27th September, 2005.

Director	No. of Board Meetings		Attended last AGM
	Held	Attended	
Mr. J. D. Curavala	7	7	Yes
Mr. G. Srinivasan	7	6	Yes
Mr. P.N. Biyani	7	5	Yes
Mr. M.L. Lahoti	7	5	Yes
Mr. N.K. Navalakha	7	5	Yes
Mr. P.K. Banerji	7	3	Not applicable

3. Code of Conduct

The Company has laid down a code of conduct for all its Board Members and Senior Management Personnel. In terms of the revised Clause 49 of the Listing Agreement (Corporate Governance), the Company has received the necessary declarations affirming compliance with it during the period ended 31st March, 2006. All the Directors and Senior Management Personnel have affirmed to fulfill their responsibilities and uphold the high standards of behaviour laid down in the Code and further confirm that they will avoid any conflict of interest in the dealings with the Company.

4. Audit Committee

The terms of reference of the Audit Committee have been specified as per the revised Clause 49 of the Listing Agreement with the Stock Exchange. The terms of reference also fully conform to the requirement of Section 292(A) of the Companies Act, 1956. Broadly the following terms are specified for the Audit Committee:

- Appointment and terms thereof of Statutory Auditor.
- The statutory annual, half-yearly and quarterly financial reporting by the Company.
- Updation of applicable accounting policies of the Company in terms of the accounting standards.
- The audit approach and methodology of statutory Auditors and any material issues arising from the audit.
- The adequacy and effectiveness of accounting and financial controls of the Company, compliance with Company policies and applicable laws and regulations.
- Undertaking special tasks assigned by the Board and recommend corrective actions.
- Reviewing the adequacies of the Internal Audit function, if any, including the structure of the Internal Audit Department with reporting coverage and frequency of Internal Audit.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Compositions, Name of Members and Chairperson

Audit Committee meetings were held on 15th June'05, 25th August'05, 29th November'05 and 21st February, 2006.

Member	Category	Meetings Held	Meetings Attended
Mr. P.N. Biyani - Chairman	Non Executive/ Independent	4	4
Mr. M.L. Lahoti	- do -	4	4
Mr. N.K. Navalakha	- do -	4	3
Mr. P.K. Banerji (w.e.f. 05.12.2005)	Non Executive/ BIFR Nominee	4	1

Mr. J.D. Curavala and Mr. G. Srinivasan attended all the meetings by invitation.

5. Remuneration Committee

The Remuneration Committee has been constituted with Mr. M.L. Lahoti, as its Chairman and Mr. P.N. Biyani, Mr. N.K. Navalakha and Mr. P.K. Banerji as its members.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Wholetime Directors. No meeting took place during the year.

Remuneration Policy: The remuneration of non executive directors is decided by the Board within the limits set out in the Companies Act, 1956. The remuneration of executive directors is approved by the Remuneration Committee, the Board of Directors and the Shareholders in the General Meeting.

Details of Remuneration to Directors for the year ended 31st March 2006.

Sl. No.	Name	Salary Rs.	Commission Rs.	Perquisites Rs.	Sitting fees Rs.	Total Rs.
1.	Mr.J.D.Curavala	1560000	-	725933	-	2285933
2.	Mr.G.Srinivasan	1200000	-	667364	-	1867364*
3.	Mr. P.N. Biyani	-	-	-	20000	20000
4.	Mr. M.L. Lahoti	-	-	-	20000	20000
5.	Mr.N.K.Navalakha	-	-	-	16000	16000
6.	Mr.P.K. Banerji	-	-	-	10000	10000

* This was subject to the approval of the Central Government, which has since been received.

The above remuneration is within the ceiling prescribed under the applicable provisions of the Companies Act, 1956.

6. Investors Grievance Committee

The "Shareholders Grievance and Service Committee" of the Company approves transfer and transmission, duplicate, sub-division and replacement of shares, debentures, fixed deposits, other related matters and to deal with complaints regarding transfer of shares, debentures and fixed deposits, non-receipt of balance sheet and non-receipt of dividend.

The Committee is headed by Mr. P. N. Biyani and Company Secretary is the Compliance Officer. The Company has received 31 complaints during the year, all of which have been resolved.

7. General Body Meetings

A. Location and time for last three Annual General Meetings were:-

Financial Year	Date of AGM	Venue	Time
31st March, 2005	27th September, 2005	Kala Kunj, Kolkata	11.00 a.m.
31st March, 2004	31st August, 2004	Kala Kunj, Kolkata	11.00 a.m.
31st March, 2003	26th September, 2003	Kala Kunj, Kolkata	11.00 a.m.

B. Special Resolutions at the last three Annual General Meetings:

- i) At the Seventythird Annual General Meeting held on 26th September, 2003
- Delisting of Shares
- ii) At the Seventyfourth Annual General Meeting held on 31st August, 2004.
- Re-appointment of and remuneration of Managing Director..
- iii) At the Seventyfifth Annual General Meeting held on 27th September, 2005 .
- Revision of remuneration of Wholetime Director.
No resolution was put through postal ballot.

8. Disclosures

i) Disclosures on materially significant related party transactions of the Company of material nature, with its promoters, the directors, the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

Disclosure of related parties transactions as per Accounting Standard 18 issued by The Institute of Chartered Accountants of India have been set out in Note no. 23 of Schedule no. 18 of Annual Accounts. The transactions have no potential conflict with the interest of the Company.

ii) Details of non-compliance by the Company, penalties, strictures on the Company by Stock Exchanges, SEBI or any Statutory Authority, on any matter related to the Capital markets, during the last three years.

No penalties or strictures have been imposed by any regulatory authority on any matter related to Capital markets during the last three years.

iii) Details of compliance with mandatory requirement and adoption of non mandatory requirements

All mandatory requirement with respect to Corporate Governance have duly been complied with.

iv) Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement are reviewed by the Board from time to time.

9. Means of Communications

- Half yearly results sent to each household of shareholders.
- Quarterly Results

No

The quarterly results published in the proforma prescribed under the Listing Agreement are approved and taken record within one month of the close of the relevant quarter. The approved results are notified forthwith to the concerned Stock Exchanges. As the Company publishes the audited financial results within the stipulated period of three months from the close of the financial year, the unaudited financial results for the last quarter of the financial

year are not published as per the Listing Agreement with the Stock Exchanges.

- which Newspaper normally published in : Financial Express (English newspaper - all India edition)
Aajkal (Bengali newspaper - local edition)
- Any Website, where displayed. : No
- Whether it displays official news releases : No
- Whether presentation made to Institutional investors or to analyst. : No
- Whether Management discussions and Analysis report is a part of Annual Report or not. : Yes

10. General Shareholders Information

	Date	Time	Venue
AGM	31st August, 2006	11.00 a.m.	Kala Kunj, 48 Shakespeare Sarani, Kolkata 700 017

Financial Calendar (tentative) 2006-2007

- i) Financial Year : April - March
- ii) First Quarter Results : July 2006
- iii) Second Quarter Results : October 2006
- iv) Third Quarter Results : January 2007
- v) Audited results for the year ending 31st March, 2007 : June 2007
- Date of Book Closure : 17th August, 2006 to 31st August, 2006 (both days inclusive)
- Dividend payment Date : Not applicable

Listing on Stock Exchanges

National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.

Stock Code	Physical	Demat
National Stock Exchange	GKW	
Demat ISIN Number	INE 528A 01012	

Annual listing fees have been paid to National Stock Exchange for the year 2006-2007.

Stock Market Data

Stock Market Price for the year

<u>Month</u>	<u>N S E</u>		<u>NSE NIFTY</u>	
	<u>High(Rs.)</u>	<u>Low(Rs.)</u>	<u>High</u>	<u>Low</u>
April 2005	14.05	10.10	2084.90	1896.30
May 2005	12.90	9.10	2099.35	1898.15
June 2005	18.85	10.30	2226.15	2064.65
July 2005	49.20	16.40	2332.55	2171.25
August 2005	42.00	32.10	2426.65	2294.25
September 2005	48.00	36.00	2633.90	2382.90
October 2005	44.70	25.20	2669.20	2307.45
November 2005	36.55	29.00	2727.05	2366.80
December 2005	48.90	31.00	2853.10	2641.95
January 2006	51.50	40.10	3005.10	2783.85
February 2006	55.95	41.45	3090.30	2928.10
March 2006	53.20	37.05	3433.85	3064.00

Registrar and Transfer Agents : C B Management Services Private Limited
P-22 Bondel Road
Kolkata 700 019

Share Transfer Systems : Share transfers are registered and returned within 30 days of lodgment thereof, if the documents are clear in all respects.

GKW LIMITED

Distribution of shareholding

Distribution of share holding as on 31.3.2006

No. of Shares held	No. of Share Holders	%	No. of Shares	%
1 to 500	96440	97.70	3791526	6.35
501 to 1000	1242	1.26	1020524	1.71
1001 to 2000	467	0.47	725730	1.22
2001 to 3000	175	0.18	455742	0.76
3001 to 4000	64	0.07	235731	0.40
4001 to 5000	78	0.08	373511	0.63
5001 to 10000	108	0.11	832010	1.39
10001 & above	140	0.13	52230234	87.54
TOTAL	98714	100.00	59665008	100.00

Shareholding Pattern

Shareholding Pattern as on 31.3.2006

Category	No. of Shares Held	% of share holding of issued share capital
I) PROMOTERS' HOLDING		
1) Promoters - a. Indian Promoters	33647273	56.39
b. Foreign Promoters	9059476	15.19
Sub Total	42706749	71.58
II) NON PROMOTERS' HOLDING		
Institutional Investors		
a. Mutual Fund & Unit Trust of India	48837	0.08
b. Banks, Financial Institutions & Insurance Companies, (Central/State Govt. Institution/Non Govt. Institution)	2868923	4.81
c. Foreign Institutional Investors	17090	0.03
Sub Total	2934850	4.92
III) Others		
a. Private Corporate Bodies	4634854	7.77
b. Indian Public	9215398	15.44
c. NRIS/OCBs	65158	0.11
d. Others	107999	0.18
Sub Total	14023409	23.50
GRAND TOTAL	59665008	100.00
NOTE : TOTAL FOREIGN SHARE HOLDING		
Foreign Holding (Non - Resident)	No. of Shares 9059476	% of Share Holding 15.19
NRIS/OCBS	65158	0.11
FII	17090	0.03
TOTAL	9141724	15.33

Dematerialisation of shares and liquidity.

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the depository systems in India.

As on 31.3.2006 a total of 17351283 ordinary shares of the Company which forms 29.08% of the share capital stands dematerialised under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's ordinary shares is INE 528A 01012

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity.

None

Plant Locations

Steel Division
Bolt & Nut Division
Engineering & Machinery Division
Sankey Electrical Stampings Division
97 Andul Road
Howrah 711 103

Wheels Division
Feeder Road
Durgapur 713 201
District Burdwan
West Bengal

Screws & Fasteners Division
Sankey Electrical Stampings Division
Lal Bahadur Shastri Marg
Bhandup
Mumbai 400 078
Maharashtra

Address for Correspondence

Sankey Electrical Stampings Division
3, Rajajinagar
Bangalore

Metal Pressings Division
Village - Pimple, Jagtap
Talug - Jagtap
District - Shirur
Pune 412 208

Powmex Steels Division
Village Turla
Talug - Titilagarh
District Bolangir
Orissa 767 033

GKW Limited
3A, Shakespeare Sarani
Kolkata 700 071

11. Compliance of non mandatory requirement

- 1) The Independent Directors do not have any tenure not exceeding, in the aggregate period of 9 years on the Board of the Company.
- 2) Shareholder Rights -The Company publishes the quarterly results in the News papers in accordance with the requirements of the listing agreement. However for the present a half-yearly declaration of financial performance including summary of the significant events in last six months, are not sent to each household of shareholder.
- 3) Audit qualifications -The Company may move towards a regime of unqualified financial statements.

Kolkata,
29th June, 2006

For and on behalf of the Board

J D Curravala
Managing Director

G.Srinivasan
Director

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE TO THE MEMBERS OF GKW LIMITED

1) We have examined the compliance of the conditions of Corporate Governance by GKW Limited for the year ended 31st March 2006 as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.

2) The compliance of conditions of corporate governance is responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by The Institute of Chartered Accountants of India and limited to the procedures of implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

3) In our opinion and to the best of our information and explanations given to us and the representations made by the Directors and the management, except as given in para 4 below,

we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

4) The framework for risk management and its controls are yet to be defined.

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

For Lodha & Co.
Chartered Accountants

14, Government Place East
Kolkata
29th June, 2006

Aditya Saraogi
Partner
Membership No.54643

GKW LIMITED**BALANCE SHEET
AS AT 31ST MARCH, 2006**

SOURCE OF FUNDS	Schedule	Rs. Lakhs	
		2005/2006	2004/2005
Shareholders' fund			
Share capital	1	8416.50	3116.50
Reserves and surplus	2	<u>11870.35</u>	<u>6142.17</u>
		20286.85	9258.67
Loan funds			
Secured loans	3	3422.08	13796.84
Deferred tax liability (Note 22)		276.40	582.82
Total		<u>23985.33</u>	<u>23638.33</u>
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		24547.67	24871.99
Less : depreciation		<u>15223.17</u>	<u>14671.91</u>
Net block		9324.50	10200.08
Capital work in progress		—	7.02
Investments	5	8.58	8.38
Current assets, loans and advances			
Inventories	6	3786.28	3078.22
Sundry debtors	7	1372.68	970.08
Cash and bank balances	8	878.23	228.07
Loans and advances	9	1016.22	1014.92
Other current assets	10	0.53	0.52
		<u>7053.94</u>	<u>5291.81</u>
Less: Current liabilities and provisions			
Liabilities	11	7610.23	9293.03
Provisions	12	70.98	68.25
		<u>7681.21</u>	<u>9361.28</u>
Net current assets		(627.27)	(4069.47)
Profit and Loss Account		15279.52	17492.32
Total		<u>23985.33</u>	<u>23638.33</u>
Notes on accounts	18		

The schedules referred to above and the notes attached form an integral part of the Balance Sheet.

On behalf of the Board

J D Curavala
Managing Director

G Srinivasan
Director

This is the Balance Sheet referred to in our report of even date addressed to the members of the company

J N Ghosh
Secretary
Kolkata,
29th June, 2006

Aditya Saraogi
Partner
for and on behalf of
LODHA & CO.
Chartered Accountants

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

		Rs. Lakhs	
	Schedule	2005/2006	2004/2005
INCOME			
Sales (Gross)		13018.72	8262.74
Less: Excise duty		1427.82	715.80
Net sales		<u>11590.90</u>	<u>7546.94</u>
Other sources	13	<u>127.75</u>	<u>159.93</u>
		<u>11718.65</u>	<u>7706.87</u>
EXPENDITURE AND CHARGES			
Operating Costs	14	10898.36	7679.95
Depreciation	15	845.94	869.54
Interest	16	537.14	1820.00
Others	17	30.09	28.07
		<u>12311.53</u>	<u>10397.56</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		(592.88)	(2690.69)
Exceptional items pursuant to BIFR Scheme (net) (Note 26)		<u>2494.93</u>	-
PROFIT/(LOSS) BEFORE TAX		1902.05	(2690.69)
Provision for current taxation (wealth tax)		(0.56)	(0.58)
Provision for Fringe Benefit Tax		(16.93)	-
Provision for deferred tax		<u>306.42</u>	<u>332.58</u>
PROFIT/(LOSS) AFTER TAX		2190.98	(2358.69)
Transfer from property revaluation reserve		21.82	21.82
Balance brought forward from earlier year		<u>(17492.32)</u>	<u>(15155.45)</u>
Balance of Profit and Loss account		<u>(15279.52)</u>	<u>(17492.32)</u>
Basic and diluted earnings per share (Rs.) (Note 24)		3.63	(8.03)
Notes on accounts	18		

The schedules referred to above and the notes attached form an integral part of the Profit and Loss Account.

On behalf of the Board

This is the Profit and Loss Account referred to in our report of even date addressed to the members of the company.

J D Curravala
Managing Director

G Srinivasan
Director

J N Ghosh
Secretary

Aditya Saraogi
Partner
For and on behalf of the Board
LODHA & CO.
Chartered Accountants

Kolkata,
29th June 2006

**SCHEDULES TO
BALANCE SHEET**

Rs. Lakhs

2005/2006 **2004/2005**
1. SHARE CAPITAL
Authorised

25000000 Cumulative redeemable preference shares of Rs.10/- each	2500.00	2500.00
59665008 (2004/2005 - 55000000) Ordinary shares of Rs.10/- each	5966.50	5500.00
	<u>8466.50</u>	<u>8000.00</u>

Issued and subscribed

1500000 (2004/2005 - 1500000) 16% (Taxable) Cumulative redeemable preference shares of Rs.10 each redeemable at par in three annual equal instalments commenced from 25th March, 2001.	150.00	150.00
23000000 10% Non-convertible redeemable preference shares of Rs.10/- each fully paid up at a premium of Rs 25/- (Note 27(b))	2300.00	-
36696526 Ordinary shares of Rs.10/- each fully paid up at par (2004/2005 - 6696526) in cash. (Note 27(b))	3669.65	669.65
6597499 Ordinary shares for consideration other than cash pursuant to contracts/scheme of arrangements.	659.75	659.75
16370983 as bonus shares by way of capitalisation of reserves and share premium.	1637.10	1637.10
	<u>8416.50</u>	<u>3116.50</u>

2. RESERVES AND SURPLUS
Capital

Property revaluation			
As at 31st March 2005	1370.81		
Less : Transfer to profit and loss account	<u>21.82</u>	1348.99	1370.81
Others		677.55	677.55
Debenture redemption		250.00	250.00
Share Premium (Note 27(b))		5750.00	-
Preference shares redemption		150.00	150.00
General *		3693.81	3693.81
		<u>11870.35</u>	<u>6142.17</u>

* Represents amount arising on amalgamation of erstwhile Powmex Steels Limited with the Company with effect from 1.10.95.

3. SECURED LOANS

19% Non-convertible debentures - 1998/2000 (Privately placed with Unit Trust of India and Army Group Insurance Fund)	331.33	331.33
Interest accrued and due thereon	170.00	170.00

Redeemable in three equal annual instalments commenced on 26th/27th February, 1998. Premium of 5% of the face value payable along with second instalment due on 26th/27th February, 1999.

The debentures are secured by -

- i) an equitable mortgage of the Company's immovable properties both present and future (excluding those at Bangalore, residential properties at Mumbai/Kolkata and assets relating to erstwhile Engineering & Forgings division).
- ii) a first charge by way of hypothecation of all the movable properties of the Company both present and future (except book debts, movable assets at Bangalore and assets purchased under IDBI Scheme). The charge by way of hypothecation of stocks is subject to prior charge on stocks in favour of Company's bankers.

**SCHEDULES TO
BALANCE SHEET**

Rs. Lakhs

2005/2006 2004/2005

3. SECURED LOANS (Contd).

Corporate Rupee Term Loan from ICICI Bank Ltd	285.00	-
Secured by a charge on a portion of land at Bangalore and guaranteed by a promoter group company.		
Powmex Steels Division :		
Term Loan from Banks	520.67	
FITL - Term Loan from Banks	699.91	
Interest accrued and due thereon	28.01	
	1248.59	1309.47
(i) Secured/to be secured by joint equitable mortgage by deposit of title deeds relating to all immovable properties both present and future of Powmex Steels Division, and		
(ii) Secured/to be secured by a first charge by way of hypothecation on all the movable properties including machinery, spares, tools and accessories both present and future of Powmex Steels Division (save and except book debts) subject to the charge created to be created in favour of bankers of Powmex Steels Division on specified movable assets for working capital requirements of Powmex Steels Division. The aforesaid charge and mortgage shall rank pari passu with the charge created on immovable and movable properties of Powmex Steels Division in respect of term loans from financial institutions of Powmex Steels Division.		
Cash Credit	-	5248.21
Interest accrued and due thereon	-	5397.10
Secured by hypothecation of stocks, book debts etc. and first charge on immovable properties at Bangalore and Engineering & Forgings Division at Howrah and second charge on immovable fixed assets of the Company (except Currie Road Works at Howrah, part of industrial properties at Bhandup and Powmex Steels Division) and movable fixed assets at Howrah (except Engineering & Forgings Division and Wheels Division) which are having first charge in favour of 19% debenture holders.		
The above charges have been discharged on full and final settlement of bankers' dues.		
Powmex Steels Division :		
Cash credit -	1091.24	1092.27
FITL - Working Capital	273.56	-
Interest accrued and due thereon	22.36	248.46
Secured/to be secured by hypothecation of stocks, book debts etc. and second charge on fixed assets of Powmex Steels Division.		
	3422.08	13796.84

4. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March 2005	Addition	Withdrawals/ Adjustment	As at 31st March 2006	As at 31st March 2005	For the Year	Withdrawals/ Adjustment	As at 31st March 2006	As at 31st March 2006	As at 31st March 2005
Land	856.47	-	-	856.47	7.58	0.25	-	7.83	848.64	848.89
Buildings	4141.94	7.02	-	4148.96	1932.63	93.95	-	2026.58	2122.38	2209.31
Railway Siding	8.98	-	-	8.98	8.92	0.01	-	8.93	0.05	0.06
Plant & Machinery	19530.77	6.89	338.27	19199.39	12449.73	741.85	294.67	12896.91	6302.48	7081.04
Cars & Vehicles	180.20	-	-	180.20	166.53	5.43	-	171.96	8.24	13.67
Furniture & Fittings	153.63	0.04	-	153.67	106.52	4.44	-	110.96	42.71	47.11
	<u>24871.99</u>	<u>13.95</u>	<u>338.27</u>	<u>24547.67</u>	<u>14671.91</u>	<u>845.93</u>	<u>294.67</u>	<u>15223.17</u>	<u>9324.50</u>	<u>10200.08</u>
Capital work in progress										7.02
Per balance sheet 31st March, 2006									<u>9324.50</u>	<u>10207.10</u>
Previous Year	24866.11	5.88	-	24871.99	13802.37	869.54	-	14671.91	10200.08	11063.74

Land include development expenditure and leasehold interest (net) of Rs. 8.61 Lakhs (2004/2005 - Rs. 8.86 Lakhs) and Rs. 1.50 Lakhs acquired from State Government of Orissa in respect of which registration is pending.

Certain Land and Building of the Company were revalued based on current replacement cost by approved valuer in 1981 and the resultant increase of Rs. 1451.58 Lakhs in the net book value was transferred to Revaluation Reserve, of which Rs. 102.59 Lakhs has been adjusted till 31.03.2006 leaving of balance of Rs. 1348.99 Lakhs as on 31.03.2006.

**SCHEDULES TO
BALANCE SHEET**

Rs. Lakhs

	2005/2006	2004/2005
5. INVESTMENTS		
Quoted		
<i>Trade</i>		
Industrial Development Bank of India - 10720 shares of Rs.10/- each fully paid at cost	8.71	
Less : Provided earlier	<u>(6.51)</u>	2.20
	2.20	2.20
<i>Others</i>		
Government securities - at cost		
5.3/4 % Loan 2002	0.32	0.32
Unquoted		
<i>Trade</i>		
The Bengal Chamber of Commerce and Industry - 6.1/2 % non-redeemable registered debentures - fully paid, at cost	0.09	
Less : written off earlier	<u>0.09</u>	-
Woodlands Hospital & Medical Research Centre Limited - (formerly The East India Clinic Limited)		
5% non-redeemable registered debentures - fully paid, at cost	0.23	
Less: written off earlier	<u>0.23</u>	-
Employees' Consumers' Co-operative Societies - 500 shares of Rs.10/- each-fully paid, at cost	0.05	
Less: written off earlier	<u>0.05</u>	-
Shares in subsidiary companies		
GKW (Overseas Trading) Limited - 50000 ordinary shares of Rs.10/- each- fully paid, at cost	5.00	5.00
GKW Cement Limited 1201200 equity shares of Rs.10/- each- fully paid, at cost	120.12	
Less : Provided earlier	<u>(120.12)</u>	-
<i>Others</i>		
Government securities - at cost		
7 Year National Savings Certificates (deposited with Government authorities)	1.06	0.86
	<u>8.58</u>	<u>8.38</u>
The aggregate book value of quoted investments	2.52	2.52
Market value of quoted investments	8.63	10.02
All Investments are long term Investments		
6. INVENTORIES		
At or under cost (being cost or net realisable value whichever is lower)		
Raw materials	1768.37	1308.22
Work in progress (including scrap)	1219.00	856.36
Finished products	472.10	583.69
Stores and spare parts	304.91	295.93
Loose tools	21.90	34.02
	<u>3786.28</u>	<u>3078.22</u>

**SCHEDULES TO
BALANCE SHEET**

	Rs Lakhs	
	2005/2006	2004/2005
7. SUNDRY DEBTORS		
Over six months		
Secured - considered good	0.74	1.36
Unsecured - considered good	73.41	17.70
Unsecured - considered doubtful	151.36	150.60
Other debts		
Secured - considered good	1.10	0.59
Unsecured - considered good	1297.43	950.43
	<u>1524.04</u>	<u>1120.68</u>
Less : Provision for doubtful debts	151.36	150.60
	<u>1372.68</u>	<u>970.08</u>
8. CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	17.87	19.45
Balances with scheduled banks -		
Current accounts	697.10	52.30
Deposit accounts		
- Margin Money (under lien)	159.91	153.10
- Other deposits	3.35	3.22
	<u>878.23</u>	<u>228.07</u>
9. LOANS AND ADVANCES - Unsecured		
Considered good		
Advances recoverable in cash or for value to be received	706.49	746.97
Balance with Port Trusts, Customs etc.	144.58	103.68
Other deposits	164.00	163.12
Deposits from customers including Government securities at par (contra included in sundry creditors)	1.15	1.15
Considered doubtful		
Amount recoverable from GKW Cement Limited, GKW Infosystems Limited (Subsidiary Companies)	83.19	76.90
Advances recoverable in cash or for value to be received	372.22	349.47
	<u>1471.63</u>	<u>1441.29</u>
Less: Provision for doubtful advances	455.41	426.37
	<u>1016.22</u>	<u>1014.92</u>
10. OTHER CURRENT ASSETS		
Interest accrued on investments etc.	0.53	0.52
11. LIABILITIES		
Sundry creditors (Note 21)	7599.05	9281.88
Liability under sales tax deferral scheme	5.21	5.21
GKW(Overseas Trading) Limited, GKW Infosystems Limited (Subsidiary Companies)	4.94	4.09
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act.1956 not due		
- Unclaimed fixed deposits	1.03	1.85
	<u>7610.23</u>	<u>9293.03</u>
12. PROVISIONS		
Taxation less payments	70.98	68.25

**SCHEDULES TO
PROFIT AND LOSS ACCOUNT**

	Rs. Lakhs	
	2005/2006	2004/2005
13. INCOME FROM OTHER SOURCES		
Dividend from long term investments-before deduction of income tax	0.09	0.42
Interest on bank deposits - before deduction of income tax		
Rs.1.30 lakhs, (2004/2005 - Rs.2.65 lakhs)	7.09	10.28
Other interest - before deduction of income tax		
Rs. 0.49 lakhs, (2004/2005 - Rs.0.48 lakhs)	8.93	2.19
Net profit/(loss) on disposal/scrap of fixed assets	(43.60)	-
Net profit/(loss) on sale of long term investments	-	11.08
Miscellaneous income (Note 20)	155.24	135.96
	<u>127.75</u>	<u>159.93</u>
14. OPERATING COSTS		
Raw materials consumed	6978.85	3678.61
Stores consumed	417.22	428.87
Power and fuel	950.09	890.07
Repairs and maintenance - Plant and machinery	141.47	125.68
Repairs and maintenance - Buildings and estate	12.38	25.51
Repairs and maintenance - Cars and vehicles etc.	38.36	46.49
Salaries, wages and bonus	990.44	1049.45
Contribution to provident and other funds	170.95	217.83
Workmen and staff welfare expenses (including Employees' State Insurance premium etc.)	145.99	156.22
Remuneration of Directors (Note 6)	39.29	29.21
Insurance	41.48	40.46
Rent	40.69	25.42
Rates and taxes	66.57	67.75
Printing and stationery	26.84	25.60
Postage, telephone & telex	29.46	32.62
Data processing expenses	11.37	8.78
Travelling expenses	48.54	40.42
Registrars' fees and expenses	1.99	1.92
Bank charges	27.83	16.70
Advertisement expenses	8.17	5.31
Freight, packing and delivery charges (Note 8)	173.70	166.91
Selling Commission	1.01	-
Outside processing charges for products	130.57	175.84
(Increase)/Decrease in stocks of finished products and work-in-progress (Note 7)	(250.92)	(150.54)
Miscellaneous expenses (Note 19)	656.02	574.82)
	<u>10898.36</u>	<u>7679.95</u>
15. DEPRECIATION		
On fixed assets	845.94	869.54
16. INTEREST		
Bank borrowings	110.14	1429.39
Term loans	141.41	215.94
Others	285.59	174.67
	<u>537.14</u>	<u>1820.00</u>
17. OTHER CHARGES/(INCOME)		
Provision for doubtful debts and advances - (Net)	30.90	28.07
Bad and Doubtful debts and advances written off	(0.81)	-
	<u>30.09</u>	<u>28.07</u>

18. NOTES ON ACCOUNTS**FOR THE YEAR ENDED 31ST MARCH, 2006.****(1) SIGNIFICANT ACCOUNTING POLICIES****(i) (a) ACCOUNTING CONVENTION & REVENUE RECOGNITION**

These accounts are prepared on the basis of historical cost (except in the case of revaluation of certain assets). Both income and expenditure items are recognised on accrual basis. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

(b) PROVISIONS, CONTINGENCIES AND CONTINGENT ASSETS

Liabilities which can be measured only by using a substantial degree of estimation and in respect of which a reliable estimate can be made of the probable outflow of resources are recognised as provisions.

Contingent liabilities in the nature of possible obligations that arise from past events and the existence of which will be confirmed only by the occurrence or otherwise of future events not wholly within the control of the Company and in respect of present obligation arising from past events for which a reliable estimate of the possible future outflow cannot be made are disclosed by way of Notes to Accounts.

Contingent Assets are neither recognised nor disclosed in the Financial statement.

(c) USE OF ESTIMATES

The preparation of financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities and assets as at the Balance Sheet date and the reported amounts of income and expenses during the year.

Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognised in the year in which the results are known / materialised.

(ii) FIXED ASSETS, DEPRECIATION AND IMPAIRMENT

- (a) Fixed assets are stated at cost except in the case of certain items of land, buildings, railway sidings and plant & machinery which are stated on the basis of their revaluations, being inclusive of resultant write ups.
- (b) Capital work-in-progress is stated at cost incurred during pre-operative/ installation period and includes materials in transit and advances to suppliers.
- (c) Depreciation on fixed assets items are being recognised on - Straight Line/ Written Down Value Method at rates and in the manner as prescribed in Schedule XIV to the Companies, 1956 - or at rates indicated in Note no. 5(a) of schedule 18.
- (d) Depreciation is provided on the basis of month of capitalisation. Items of plant and machinery individually valued upto Rs 5000 are fully depreciated in the books of account in the year in which they are put to use.
- (e) The amounts at which fixed assets are carried in the Company's books are reviewed at the Balance Sheet date for any indication of impairment. In case of impairment, an impairment loss is recognised when the carrying amount of assets belonging to a cash generating unit (CGU) or otherwise exceeds the recoverable amount of the assets i.e. the higher of assets' net selling price or its value in use.

Subsequent reversal of such impairment loss if any, would be allocated to the respective assets, except in the case of a CGU where it would be allocated to all the assets on a pro-rata basis.

(iii) INVESTMENTS

Investments are stated at cost less write downs where applicable.

(iv) INVENTORIES

Year-end inventory items are valued at lower of cost and net realisable value. Cost of raw materials, stores, spares and components is computed on the basis of First In First Out or Weighted Average Pricing methods as appropriate. Cost in respect of Work-in-Progress represents cost incurred upto the stage of completion. Provisions for obsolescence are made based on technical estimation. Tools are stated on the basis of their cost and year-end values determined on the basis of physical evaluation by technical experts having regard to their effective future life.

(v) FOREIGN CURRENCY TRANSACTIONS

- (a) Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of such transaction.
- (b) Receivables/payables in foreign currencies are translated at the appropriate forward contract rate, or, if not covered, at the exchange rate ruling at the balance sheet date. The gain / loss arising on account of such translation, as also on the exchange differences on settlement of the foreign currency transactions during the year are recognised as income or expense and are reflected in the profit and loss account under respective heads of account.

(vi) TERMINAL EMPLOYEE BENEFITS

Gratuity - year-end liabilities on account of gratuity payable to employee are determined on the basis of actuarial valuation with appropriate contributions to the Company's Gratuity Fund.

Pension - annual contribution in respect of eligible employees are recognised as revenue charge with appropriate contributions to the Company's related Fund.

Leave encashment - accrued year-end leave encashment benefits are determined on the basis of actuarial valuation and provided in the

(vii) BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for use. All other borrowing costs are charged to revenue.

(viii) SALES

Sales (net of credit notes) are recognised on accrual basis in keeping with applicable trade practice.

(ix) TAXES ON INCOME

Provision for Current Income Tax is made on the taxable income using the applicable tax rates and tax laws. Deferred tax assets or liabilities arising on account of timing differences, which are capable of reversal in one or more subsequent years is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is sufficient assurance with respect to reversal thereof in future years.

	Rs Lakhs	
	2005/2006	2004/2005
(2) CONTINGENT LIABILITIES		
In respect of :		
Bills discounted	-	66.84
Dividend on cumulative redeemable preference shares	216.00	192.00
Income Tax under Appeal (approx)	155.88	131.69
Excise duty under Appeal (approx)	92.05	118.31
Disputed sales Tax under Appeal (approx)	887.07	764.30

Company's appeals against various sales tax assessments including best judgment for the year 1984 are pending before appropriate authorities.

The nature of above contingent liabilities are being reviewed by the management. Consequential adjustments in this respect will be made as and when ascertained.

Corporate guarantee given in favour of IFCI Ltd in respect of term loans of Rs 3726 Lakhs (2004-05 - Rs 3726 Lakhs) for GKW Cement Ltd has been subsequently assigned to the extent of Rs 2500 Lakhs to a Promoter Group Company vide agreement for assignment dated 10/04/06 in connection with full and final settlement of dues of IFCI Ltd.

(3) TERMINAL EMPLOYEE BENEFITS

The gratuity liability of Rs 1059.73 lakhs as per actuarial valuation as on 31.3.2006 has been fully provided in the accounts. However, Rs 1025.80 Lakhs is yet to be funded in Gratuity fund. Accrued leave encashment benefits as at 31st March, 2006 amounted to Rs. 105.89 Lakhs which has been fully provided in the accounts.

(4) STORES CONSUMED

Total stores consumed (including write-off of Rs.50.53 Lakhs (2004-05 - Rs 78.10 Lakhs)	461.82	560.82
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(5) DEPRECIATION

(a) Depreciation has been provided on written down value or straight line methods for assets acquired prior to April 1989 at the applicable rates as prescribed in Schedule XIV of the Companies Act, 1956 or at rates (in percentage) indicated below on straight line method. However, all assets acquired after 1.4.89 have been depreciated on straight line method at the rates prescribed in Schedule XIV.

Land - Leasehold	3 33/1.66/0.10
Buildings	3 33/2.00/1.50
Plant & Machinery - Steel Rolling Mill	3.33/8.09

Depreciation on Plant & Machinery at divisions which are not in operation or under suspension of work/Lock-out during the year has been provided on single shift basis.

(b) In accordance with the usual accounting practice followed by the Company, depreciation for the year has been calculated on the revalued amounts of the related assets at the rates applicable. Depreciation so calculated resulted in an additional charge of Rs 21.82 Lakhs (2004/05 - Rs.21.82 Lakhs) and an equivalent amount has been transferred to Profit and Loss account from property revaluation reserve, such transfer, according to an authoritative professional view being acceptable for the purposes of the Company's accounts.

	Rs. Lakhs	
	2005/2006	2004/2005
(6) REMUNERATION OF DIRECTORS		
Total remuneration		
Amount shown separately in Schedule 14 of Profit and Loss Account [(Including directors' fees Rs 0.66 Lakhs (2004/05 - Rs.0.60 Lakhs), contribution to funds Rs 7.45 Lakhs (2004/05 Rs.5.07 Lakhs), gratuity Rs 1.15 Lakhs (2004/05 - Rs.0.90 Lakhs)]	39.29	29.21
Other benefits	2.90	0.96
	<u>42.19</u>	<u>30.17</u>
(Approval from Ministry of Company Affairs for increased remuneration of Shri G. Srinivasan, Executive Director has since been received)		
(7) (INCREASE)/DECREASE IN FINISHED AND WORK-IN-PROGRESS STOCKS		
Opening stocks		
Finished products	583.69	485.64
Work-in-progress	856.36	804.78
Adjustments	0.13	(0.91)
	<u>1440.18</u>	<u>1289.51</u>
Closing stocks		
Finished products	472.10	583.69
Work-in-progress	1219.00	856.36
	<u>1691.10</u>	<u>1440.05</u>
(Increase)/Decrease	<u>(250.92)</u>	<u>(150.54)</u>
(8) FREIGHT, PACKING AND DELIVERY CHARGES		
Freight, packing and delivery charges are net of recoveries from customers		
(9) PAYMENTS TO FORMER DIRECTORS		
Pension paid or payable to former directors and not considered as Directors' remuneration is		
	<u>0.44</u>	<u>0.44</u>
(10) PAYMENT TO AUDITORS		
Total amount paid or payable to the auditors :		
As auditors of the company	6.00	6.00
Other services (certificates, provident fund audit etc.)	2.87	2.87
Out-of-pocket expenses	0.44	0.49
	<u>9.31</u>	<u>9.36</u>

(11) PARTICULARS IN RESPECT OF GOODS MANUFACTURED *

Class of goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Fan, motor and generator stampings	tonne	25216	25216	24250	24250	-	25
Transformer laminations	tonne	14229	14229	17750	17750	-	-
Radio, choke and meter laminations	tonne	4059	4059	5350	5350	-	15
Magnetic strip wound cores	tonne	500	500	500	500	-	-
Mild steel pressed components	tonne	6325	6325	7369	7369	-	-
Top arms for high drafting system	nos.	480000	480000	480000	480000	-	-
Jig, fixture, workshop gauges and tools	Rs. lakhs	500	500	500	500	-	-
Hot rolled bars, rods and sections	tonne	161500	161500	161500	161500	-	-
Bright steel bars	tonne	12193	12193	12500	12500	-	-
Bolts, nuts and rivets	tonne	37200	37200	37200	37200	64	33
Tungsten carbide tools	kgs.	6000	6000	6000	6000	-	-
Woodscrews, machinescrews and self tapping screws	100 nos.	16237440	16237440	26157000	26157000	3994632	4313243
Cotter pins and screw eyes	100 nos.	288000	288000	845000	845000	-	-
Safety pins	1000 nos.	224640	224640	937500	937500	106775	124845
Tubular rivets	1000 nos	79200	79200	112500	112500	35321	34853
Tinmen's rivets	tonne	508	508	508	508	-	-
Rail clips and modified loose jaws	nos.	5500000	5500000	2500000	2500000	-	-
Elastic rail spikes	nos.	2500000	2500000	Note (ii) below	Note (ii) below	-	-
Special purpose machine tools	Rs. lakhs	450	450	450	450	-	-
Leather processing machinery	Rs. lakhs	30	30	Note (ii) below	Note (ii) below	-	-
Car, jeep and truck wheels	nos.	460000	460000	600000	600000	-	-
Tractor wheels	nos.	60000	60000	60000	60000	-	-
Bogie Wheels	nos.	8000	8000	8000	8000	-	-
Earthmover Wheels	nos.	2000	2000	2000	2000	-	-
High Speed Steel	tonne	3000	3000	3750	3750	1787	1818
Alloy Steel	tonne	3000	3000	3000	3000	251	371

*(i) Installed capacities have been certified by the company's technical expert.

(ii) In respect of the following items combined installed capacities are shown:

Rail clips, modified loose jaws and elastic rail spikes 25 Lakh numbers

Special purpose machine tools and leather processing machinery Rs. 450 Lakhs

(iii) Actual production is inclusive of quantities required for manufacturing end products under separate industrial licences and/or quantities used internally and also includes conversion of customers' materials.

(iv) Pressed components of different types i.e. pressed components and assemblies for automobile textile and other industries filter inserts, pneumatic governor diaphragms, covered by separate industrial licences have been classified above as mild steel pressed components.

(12) PARTICULARS IN RESPECT OF SALES

Class of goods	Unit	2005/2006		2004/2005	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Fan, motor and generator stampings	tonne	1	1.96	30	34.22
Radio, choke and meter laminations	tonne	1	0.49	19	12.77
Magnetic strip wound cores	tonne	-	-	-	-
Mild steel pressed components	tonne	-	-	-	-
Jig, fixture, workshop gauges and tools	Rs. lakhs	-	-	-	0.22
Hot rolled bars, rods and sections	tonne	-	-	-	-
Bright steel bars	tonne	-	-	-	-
Bolts, nuts and rivets	tonne	50	48.92	38	33.17
Woodscrews, machine screws and self tapping screws	100 nos.	4154360	1357.11	4294092	1335.63
Safety pins	1000 nos.	118330	140.71	119954	141.85
Tubular rivets	1000 nos.	38904	78.34	36587	57.36
High Speed steel	tonne	1824	10789.14	1823	5999.37
Alloy Steel	tonne	246	400.03	377	398.54
Miscellaneous (including product scrap and other services)		-	202.02	-	249.61
			<u>13018.72</u>		<u>8262.74</u>

Conversion of customers' materials has been considered in the appropriate class of goods

(13) PARTICULARS IN RESPECT OF FINISHED STOCKS

Class of goods	Unit	31.03.06		31.03.05		31.03.04	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Fan, motor and generator stampings	tonne	31	2.49	32	2.84	37	4.34
Radio, choke and meter laminations	tonne	10	0.33	11	0.44	15	2.21
Magnetic strip wound cores	tonne	-	-	-	-	1	0.03
Mild steel pressed components	tonne	-	0.01	-	0.01	1	0.05
Hot rolled bars, rods and sections	tonne	899	75.29	899	75.28	899	72.98
Bright steel bars	tonne	292	39.22	292	39.22	292	45.20
Bolts, nuts and rivets	tonne	704	81.99	690	70.18	695	104.20
Woodscrews, machine screws and self tapping screws	100 nos.	709408	87.04	869136	110.58	849985	87.21
Cotter pins and screw eyes	100 nos.	2058	0.01	2058	0.01	2058	0.01
Safety pins	1000 nos.	2192	1.03	13747	9.18	8856	6.62
Tubular rivets	1000 nos.	9113	1.32	12696	3.71	14430	5.22
High Speed Steel	tonne	35	173.39	72	270.89	77	154.29
Alloy Steel	tonne	6	9.98	1	1.35	7	3.28
			<u>472.10</u>		<u>583.69</u>		<u>485.64</u>

(14) ANALYSIS OF RAW MATERIALS CONSUMED

	Unit	2005/2006		2004/2005	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Steel sheet/skelp	tonne	—	—	57	17.40
Melting scrap	tonne	1905	2285.49	1614	1199.34
Ferro alloys, fluxes and other steel making materials	tonne	351	4152.64	380	1916.48
Wire rods and coils	tonne	1311	326.18	1222	312.14
Miscellaneous		—	214.54	—	233.25
			<u>6978.85</u> *		<u>3678.61</u> *

* including write down of Rs. NIL (2004/05 - Rs. 6.26 Lakhs)

(15) VALUE OF RAW MATERIALS AND STORES (INCLUDING COMPONENTS AND SPARE PARTS) CONSUMED

	Rs. Lakhs	%	Rs.Lakhs	%
Imported	3426.18	46.0	1846.04	43.5
Indigenous	4014.49	54.0	2393.39	56.5
	<u>7440.67</u>	<u>100.0</u>	<u>4239.43</u>	<u>100.0</u>

(16) VALUE OF IMPORTS ON C.I.F. BASIS

	Rs.Lakhs	
	2005/2006	2004/2005
Raw materials	3477.12	1876.89
Stores (including components and spare parts)	47.17	24.51
	<u>3524.29</u>	<u>1901.40</u>

(17) EXPENDITURE IN FOREIGN CURRENCY

Others (Bank charges, travelling, etc)	3.01	2.95
The above is net of estimated tax where applicable.		

(18) EARNINGS IN FOREIGN CURRENCIES

Export of goods calculated on f.o.b. basis	1976.82	1202.13
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(19) MISCELLANEOUS EXPENSES

Include cash discount Rs. 139.92 Lakhs (2004/2005 - Rs 82.06 lakhs) and foreign exchange loss - Rs.34.50 Lakhs (2004/2005 - Rs 0.01 Lakh) .

(20) MISCELLANEOUS INCOME

Includes foreign exchange gain of Rs 3.03 Lakhs (2004/2005 - Rs 9.51 lakh) and liabilities no longer required Rs 29.77 Lakhs (2004/2005 - Rs 15.82 Lakhs)

(21) LIST OF SMALL SCALE INDUSTRIAL UNDERTAKINGS TO WHOM THE COMPANY OWES ANY SUM TOGETHER WITH INTEREST, WHICH IS OUTSTANDING FOR MORE THAN THIRTY DAYS:

Copper Semis Limited, Variety Metals Pvt Ltd., Shantadurga Printers Pvt Ltd, Industrial Press Metal Works, Shinde Engineering Works, Amco Traders, Annapurna Engineering Works, Aspirant Enterprises, Asiatic Hardware Supply Corporation, AG Contractors, A.G. Enterprise, A P Enterprises, Aswini Motors, Autodiz, Apollo Electric, Arun Supply Agency, A. K. Das, Asish Das & Co, A K Gupta & Co, Amulyacharan Ghosh & Co, Bansen Auto Electric, Bablu Welding And Fabricating Industries, M A Industries & Co , B P Udyog, B.K.Enterprise, Bhaduri & Co, B Garden Engg Works, Bluemax Enterprise, Bengal Engg Co., Basant Alloys, Bengal Moulders, Brightex Engg Co, B R M & Co, Biswanath Engg Works, Continental Engg Works, Chemply (India), Chemicals (India) Co, C. M. MULLICK & Co, Day's Welding & Fabrication, D M Enterprise, Dutta & Co, Dey's Construction, Devi Comm Co,

Dynamic Enterprise, Das Engg Works, Empee Enterprises, Economic Suppliers Syndicate, Ess Bee & Co, Electrocab Enterprises, Essem Industries, Ghosh Enterprises, General Electric Trading Co, G.Bhaduri, C. Construction Co, G Bhaduri & Co, Hind Associates, Hind Agencies, India Small Manufacturing Co, Industrial Fabricators, Industrial Engg Services, Kundu Scientific Works, Kanak Engg Works, K N Trading, Kad-tech, Laxminarayan Enterprise, Meena Entp., Mahaprabhu Moulding Works, Makaali Engg Works, Midas Engg Works, New India Stationery, N.C.Trading, Corporation, P K Pal & Brothers, Paul Electric, P Patra Welding Works, Paul & Co, Pioneer Engg Industries, R S Engg, R C Jefferson & CO, S B Enterprises, M.P.Engineering Concern, Sinha Enterprise, S. J. Footworks, Shiva Shakti Engg Works, Shalimar Rubbers, S.K.Paul & Co, Taraknath Udyog, Tara Electric, Vivek Construction, Exomet Foundry Products, Hiralal N Mondal, Moozumdar & Moozumdar, Sareen Printers, Salt & Chemical Industries, Technico, Free India Electric Co, Golden Electric Co, Hopes Electric, Kashyap Electronics, Push- Up Thread Dies Pvt Ltd, S R Industries, Anita Engg Works, Bengal Industries, B.N.Engg Works, Guha Engg Works, H L Engg Co, Ivory Packers, J.S.Manufacturing Concern, Kumadani Engg Co, A Karmon & Co, K G Enterprise, M. C. Kolay, Maya Engg Works, Ranjan Engg Works S.B.Industries, Siddyaswari Industries, Sona Machine Tools Appartus, Sandip Industries, Universe E Trade Enterprise, Associate Traders And Industries, Sree Ganesh Industries, Tara Industries, Pressmatic Electro, S T G Ltd, Arr Precision Works Pvt. Ltd., Sri Raghavendra Enterprises, P Shankar Products, D.N.sircar S.K.Das Pvt Ld, R.J.Electricals, Kalimata Trading, Bhagwati Preci-cut (P) Ltd, Edicut Dies & Tools, Indom Appliance Co, Machine Tools Industries, Madhu-Babu Industries (P) Ltd, Packsall Products, Vaisnavi Engg, Vijay Engg, Babu Engg, Instruments Installations, Swetha Enterprise, Carol Petroleum, M.Corporation, Bilaspur Refractories, Krishna Polymers, Somnath Meher, Carpentry Unit, Excel Engg, Rittika Engg Pvt Ltd, Sri Banerjee Alloys Pvt Ltd, Ashok Bros Gases Pvt Ltd, Mahisur Ammonia Pvt Ltd, Sri Bhubaneswari Industries, Sreekant Ind, Aswathi Packing Pvt Ltd, Rehan Fasteners, S.S.Pakline, R.J.Electricals, Sanjoy Tools & Acce Pvt Ltd, Annapurna Paper House, A.A N Enterprise, A Annapurna Press, A.P. Banerjee & Co Pvt Ltd, Bidhan Press, Bikram Engg & H.N.Combustion, Bishn Engineering, Balaji Traders, Calcutta Engraving Co, Chhaya Engg Works, J.P.Enterprise, Kirti Sales Corporation, Kalipada Packaging Ind., Mukherjee Leather Hand Gloves, Mukherjee Trading, Prashanti Enterprise, Patel Brothers, Pankajini Traders, Patel Engg Tools Corpn, S.N.Sircar & Co, Suman Enterprise, Shiba Enterprise, Shiv Shakti Forklifters, Sayan Enterprise, Sandeep Agency, M.Engineering, U.P.Electrical Stores, Zenith Marketing Cons Pvt Ltd.

Sundry Creditors include total dues to Small Scale Industrial units Rs.105.24 lakhs.

The above has been compiled based on information available with the Company.

- (22) (a) In accordance with the Accounting Standard 22 for "Taxes on Income" issued by The Institute of Chartered Accountants of India, the Company has accounted for Deferred Taxation.
- (b) The Company has substantial amount of brought forward business losses and unabsorbed depreciation and expenses to be allowed in income tax on payment thereof. However, as a matter of prudence, deferred tax assets have been recognised only to the extent of brought forward unabsorbed depreciation and consequently Rs 306.42 Lakhs pertaining to current year has been credited to Profit and Loss account.

The Break-up of deferred tax assets and liabilities ;

	Opening Balance as on 31.03.05	Charge/ (credit)/ Adjustment for the year	Closing Balance as on 31.03.06
Deferred Tax Assets			
- Unabsorbed depreciation	<u>1728.31</u>	<u>86.78</u>	<u>1815.09</u>
Deferred Tax Liabilities			
- Depreciation	<u>2311.13</u>	<u>(219.64)</u>	<u>2091.49</u>
Net Deferred Tax Liability	<u>(582.82)</u>	<u>306.42</u>	<u>(276.40)</u>

(23) "RELATED PARTY DISCLOSURES" AS PER ACCOUNTING STANDARD 18 OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, AS ASCERTAINED FROM AVAILABLE INFORMATION:

Rs. Lakhs

<u>Name of the Related Party</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	<u>Value of Transaction for the year</u>		<u>Debit/(Credit) outstanding balance as on</u>	
			<u>2005/06</u>	<u>2004/05</u>	<u>31.03.06</u>	<u>31.03.05</u>
GKW (Overseas Trading) Ltd	Subsidiary Company	Receiving of services	1.01	-	(4.94)	(4.09)
GKW Cement Ltd	Subsidiary Company	Advance given to meet establishment expenses	5.53	4.52	77.85	72.32
		Provision for doubtful advances	5.53	4.52	(77.85)	(72.32)
GKW Infosystems Ltd	Subsidiary Company of GKW (Overseas Trading) Ltd	Advance given to meet establishment expenses	0.76	0.54	5.34	4.58
		Provison for doubtful advances	0.76	0.54	(5.34)	(4.58)
Key Management Personnel						
Mr. J. D. Curavala		Remuneration	22.86	18.71	(5.48)	(6.89)
Mr. G. Srinivasan		Remuneration	18.67	10.87	(4.57)	(3.72)

(24) The Earnings per share has been calculated on the basis of number of equity shares outstanding during the year ended 31st March, 2006 in accordance with the provisions of Accounting Standard 20 (Earnings per share) issued by The Institute of Chartered Accountants of India.

Rs. Lakhs

	<u>2005/2006</u>	<u>2004/2005</u>
Profit / (Loss) after tax	2190.98	(2358.69)
Less: Preference share dividend	(24.00)	(24.00)
Profit / (Loss) attributable to equity shares	2166.98	(2382.69)
No of Shares	59665008	29665008
Earnings per Share (Rs)	3.63	(8.03)

(25) **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. REGISTRATION DETAILS

Registration No.	7026	State Code	21
Balance Sheet Date	31 03 2006	Date Month Year	

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Lakhs)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	11050.00

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Lakhs)

Total Liabilities	31666.54	Total Assets	31666.54
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SOURCES OF FUNDS

Paid-up Capital	8416.50	Reserves & Surplus	11870.35
Secured Loans	3422.08	Deferred Tax liability	276.40

APPLICATION OF FUNDS

Net Fixed Assets	9324.50	Investments	8.58
Net Current Assets	(627.27)	Misc. Expenditure	-
Accumulated Losses	15279.52		

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Lakhs)

Turnover (including other income)	13146.47	Total Expenditure	13739.35
Profit/(Loss) Before Tax	1902.05	Profit/(Loss) After Tax	2190.98
Earnings per Share	3.63	Dividend Rate %	

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

(as per monetary terms)

Item Code No.	72281000
Product Description	High Speed Steel
Item Code No.	343201003
Product Description	Screws & Fasteners
Item Code No.	331168006
Product Description	Stampings

(26) **EXCEPTIONAL ITEMS :**

Exceptional items reflected in Profit and Loss Account comprise of the following adjustments made on account of implementation of the scheme sanctioned by BIFR (Scheme) as referred to in note 27(a):

- (i) Write back of interest (net) accounted for in earlier periods in excess of the interest payable as per the Scheme – Rs. 4269.21 Lakhs
- (ii) Charges on account of compensation and terminal benefits to workmen – Rs.1343.07 Lakhs
- (iii) Expenses relating to shares etc. issued as per the Scheme – Rs 431.21 Lakhs

(27) GENERAL

- (a) The Board for Industrial and Financial Reconstruction (BIFR) has sanctioned the Draft Rehabilitation Scheme (DRS) in terms of section 18(4) of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its Order dated 1st August, 2005 as amended on 5th October, 2005. Pursuant to the said Order, progress has been made during the year towards implementation of the sanctioned scheme as under:
- Settlement of the dues of the Company's lenders (other than lenders for Powmex Steels Division (PSD) and debenture holders) and restructuring of accrued interest on term loans and bank overdraft for PSD.
 - Settlement of dues of the employees of the Bangalore and Bhandup units of Sankey Electrical Stampings Division as also the dues of employees of Wheels Division, Durgapur as per the Memorandum of Understanding entered into with them.

During the year, the Company has made cash profits from its operations. Consequent upon the infusion of funds and various settlements/ restructuring of borrowings, rationalization of workforce and settlement of their dues, further improvement in the profitability of the company can be expected. Further, in view of infusion of funds by the Promoter/ Company, the put option accepted by the promoters for redemption of preference shares and the steps being taken for implementation of the sanctioned scheme, including sale of properties, the accounts of the Company have been prepared on a going concern basis.

- Pursuant to the Order of BIFR dated 5th October, 2005, the Company has issued and allotted 30000000 equity shares of Rs 10/- each fully paid up at par to promoter group companies and 23000000 10% non-convertible redeemable preference shares of Rs 10/- each fully paid up at a premium of Rs 25/- aggregating Rs 8050 Lakhs to ICICI Bank Ltd during the year repayable within one year at a premium of Rs. 28.90 per share with a put-call option provided by a Promoter Group Company to redeem the preference shares anytime during the currency of the said preference shares.
- The dues of 19% non-convertible debentures privately placed with Unit Trust of India and Army Group Insurance Fund have also been settled subsequent to the balance sheet date.
- Operation of the Company's Andul Road Works (ARW) at Howrah (comprising Steel, Bolt & Nut, Engineering & Machinery and ARW unit of Sankey Electrical Stampings Division) continue to remain suspended since 13th November, 2000.

In view of above, various assets, liabilities and contingent liabilities pertaining to ARW divisions have been carried forward at their book/disclosed values after making such adjustments as ascertainable and considered necessary and depreciation on fixed assets has been provided as per policy followed in this regard. Normal year-end exercise with respect to physical verification of fixed assets and inventories pertaining to ARW divisions could not be carried out.

Losses on account of deterioration in quality or otherwise have not been ascertained except in respect of inventories, which have been provided as estimated by the management and charged to respective heads of account.

- The consolidated accounts of the subsidiaries excepting GKW Cement Ltd have been considered in terms of Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The accounts of GKW Cement Ltd has not been considered for consolidation, since the management has decided to hive off the Cement project, and participating long-term lender have initiated the recovery proceedings including those taking possession of the assets for realising their dues.
- The impairment in value of Fixed Assets had been determined based on "Net Selling Price" on the basis of valuation made by the independent valuer in the previous year as there was no impairment of assets since previous balance sheet date.
- Sundry debit and credit balances, inclusive of debtors, creditors, loans & advances, etc. are subject to confirmation and reconciliation. Consequential adjustments in this respect, if any, will be made as and when ascertained.
- The Order of BIFR dated 1st August, 2005 has been appealed against by Andul Road Works (ARW) workers before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) on 18th November, 2005 and the matter is pending adjudication. Pending final decision on the matter, implementation of BIFR package pertaining to ARW divisions has been stalled. As per the legal opinion received on the matter, the above appeal before AAIFR will not have any effect on the settlements made by the Company. Consequently, settlements/restructuring/infusion of capital carried out in terms of the BIFR Orders dated 01/08/05 and 05/10/05 have been accounted for as stated in note 26 above.
- The Company's petition to Hon'ble High Court at Calcutta pursuant to the Scheme of arrangement for demerger of ARW divisions at Howrah (comprising Steel, Bolt & Nut, Engineering and Machinery and ARW unit of Sankey Electrical Stampings division) and Wheels division at Durgapur, approval of which has been obtained at the Company's shareholders' meetings convened on 21st September, 2000 is pending final orders from the said Court.
- Previous years' figures have been rearranged and regrouped where necessary.

On behalf of the Board

J. D. Curavala
Managing Director
J. N. Ghosh
Secretary

G. Srinivasan
Director

Aditya Saraogi
Partner
For and on behalf of
LODHA & CO
Chartered Accountants

Kolkata
29th June, 2006

CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

	Rs. Lakhs	
	For the year ended 31st March, 2006	For the year ended 31st March, 2005
A. Cash flow from Operating Activities		
Net Profit/(Loss) before taxation and after exceptional items	1902.05	(2690.69)
Adjustments for:		
Depreciation - Fixed Assets	845.94	869.54
Exceptional items (net)	(2494.93)	-
Interest written back	-	(37.18)
Profit/ (Loss) on sale / scrapping of fixed assets	43.60	-
Profit on sale of investments	-	(11.08)
Foreign Exchange loss (net)	31.47	-
Income on investment	(0.09)	(0.42)
Interest income	(16.02)	(12.47)
Interest expense	<u>537.14</u>	<u>1820.00</u>
	<u>(1052.89)</u>	<u>2628.39</u>
Operating Profit/(Loss) before Working Capital changes	849.16	(62.30)
Adjustments for:		
Trade & Other receivables	(403.90)	(11.88)
Inventories	(708.06)	(903.82)
Trade Payables	1350.06	<u>1012.94</u>
Cash generation from operation	<u>1087.26</u>	<u>97.24</u>
Interest paid	-	(148.65)
-others	(277.71)	-
Direct taxes paid/refund	<u>(17.49)</u>	<u>(0.57)</u>
Cash flow before adjustments/exceptional items	<u>792.06</u>	<u>(114.28)</u>
Foreign Exchange loss (net)	(31.47)	-
Exceptional items	<u>(4309.20)</u>	<u>-</u>
Net Cash from operating activities	<u>(3548.61)</u>	<u>(114.28)</u>
B. Cash Flow from investing activities		
Purchase / Adjustment of fixed assets	(50.53)	(6.01)
Purchase of Investments	(0.20)	-
Sale of investments	-	12.15
Income on investment	0.09	0.42
Interest income	<u>16.02</u>	<u>6.99</u>
Net cash flow from investing activity	(34.62)	13.55

Rs. Lakhs

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
C. Cash Flow from Financing activities		
Proceeds out of issue of shares (Equity & Preference)	5300.00	
Share premium	5750.00	--
Loan from Bank	285.00	--
Repayment of borrowings & interest to Banks	(6475.34)	--
(Increase) / Decrease in overdraft from Bank	<u>(293.51)</u>	<u>(41.85)</u>
Net cash flow from financing activities	4566.15	(41.85)
Exceptional items **	<u>(332.76)</u>	--
Net increase in Cash and Cash equivalents (A+B+C)	650.16	(142.58)
Closing Cash and Cash Equivalents as on 01.04.05	228.07	370.65
Closing Cash and Cash Equivalents as on 31.03.06	<u>878.23</u>	<u>228.07</u>

Exceptional items comprise of ;

- compensation and terminal payment/provision pertaining to employees of certain division (net) - Rs 4132.03 Lakhs and write back of excess interest on overdraft and term loan of Powmex Steels division - Rs 177.17 Lakhs
- ** subscription and option fees and related expenses in connection with issue of shares - Rs 431.21 Lakhs as reduced by charge (net) for interest accrued & due on 19% Non-convertible debenture privately placed with UTI & AGI - Rs 98.45 Lakhs .

- Notes: 1. Figures in brackets represent cash outflow.
 2. Closing cash balance includes Margin Money (under lien) of Rs 159.91 Lakhs and other deposits of Rs 3.35 Lakhs respectively .
 3. Previous year's figures have been regrouped and rearranged wherever necessary.

On behalf of the Board

J. D. Curavala
Managing Director

G. Srinivasan
Director

J. N. Ghosh
Secretary

Kolkata
 29th June, 2006

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

14, Government Place East
 Kolkata
 29th June, 2006

for LODHA & CO
Chartered Accountants
 Aditya Saraogi
Partner

STATEMENT REGARDING SUBSIDIARY COMPANIES

1 Pursuant to Section 212 sub-section 3 of the Companies Act, 1956.

(a) Name of Subsidiary	GKW (Overseas Trading) Limited	GKW Cement Limited	GKW Infosystems Ltd.
(b) Holding Company's interest	50000 ordinary shares of Rs.10/- each, fully paid, holders of entire issued share capital	1201200 ordinary shares of Rs.10/- each, fully paid up, being 100% of total subscribed and paid up share capital of the Company	50000 ordinary shares of Rs.10/- each, fully paid up, held by GKW (Overseas Trading) Ltd., holders of entire issued share capital
(c) Net aggregate of Subsidiary's Profits less Losses and not dealt with in the Company's accounts -			
(i) For the Subsidiary's financial year ended on 31st March, 2006	Rs 79801 Profit	Rs. NIL	Rs 37596 Loss.
(ii) For the previous financial years	Rs 434626 Profit	Rs. NIL	Rs 2364581 Loss
(d) Net aggregate amount of Subsidiary's Profits less Losses and dealt with in the Company's accounts-			
(i) For the Subsidiary's financial year ended on 31st March, 2006	Nil	Nil	Nil
(ii) For the previous financial years	Nil	Nil	Nil

2. Pursuant to Section 212 sub-section 5 of the Companies Act, 1956

Not applicable as the financial year of the Subsidiary Companies coincides with that of the Holding Company.

On behalf of the Board

J. D. Curavala
Managing Director

G. Srinivasan
Director

J.N. Ghosh
Company Secretary

Kolkata
29th June 2006

10 YEARS' PROFILE

(Rs. In Lakhs)

96-'97 97-'98 98-'99 99-'20 2000-'01 2001-'02 2002-'03 2003-'04 2004-05 2005-06

OPERATING RESULTS

Sales	30978	23706	17149	12841	7659	6622	6456	7306	8263	13019
Profit/(Loss) before depreciation & finance charges	3546	979	(1136)	582	4217	3155	(589)	(238)	(1)	790
Finance Charges	(2193)	(2560)	(3428)	(3495)	(2367)	(1493)	(1498)	(1680)	(1820)	(537)
Gross Profit/Loss	1353	(1581)	(4564)	(2913)	1850	1662	(2087)	(1918)	(1821)	253
Depreciation	(846)	(949)	(968)	(982)	(909)	(907)	(908)	(904)	(870)	(846)
Profit/(Loss) before tax	507	(2530)	(5532)	(3895)	941	755	(2995)	(2822)	(2691)	1902
Profit/(Loss) after tax	480	(3004)	(7590)	(4091)	939	754	(2753)	(2548)	(2359)	2191
Dividend	296	-	-	-	-	-	-	-	-	-

OTHER STATISTICS

Net Assets Employed	31903	31354	19041	17740	12911	10055	7662	6329	5563	8429
Shareholders' Fund	16329	10698	3301	(578)	221	858	(3327)	(5875)	(8234)	5007
PBT to Sales (%)	2	-	-	-	12	11	-	-	-	15
PBT to Net Assets Employed (%)	2	-	-	-	7	7	-	-	-	23
Dividend (%)	10	-	-	-	-	-	-	-	-	-
No. of Employees	5546	5232	4844	4533	4010	3627	2965	2691	2452	1839
No. of shareholders ('000 nos.)	115	114	114	114	114	114	112	107	104	99

Notes :

1. Brackets represent deductions/losses
2. Profit before tax and after tax include prior year and other adjustments.

**AUDITORS' REPORT
TO THE MEMBERS OF GKW LIMITED**

We have audited the attached Balance Sheet of GKW Limited (the Company) as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements of the company 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, **subject to non availability of certain information as given in paragraph 3 below** in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the order") issued by the Central Government in exercise of the powers conferred by Section 227 (4A) of the Companies Act 1956, ("the Act") and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that :

- I. a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets ;
- b) Physical verification of the fixed assets have been conducted by the management during the year **except in respect of fixed assets of the Company's divisions which are under suspension of operations as indicated in Note No. 27(d) of schedule 18 and status whereof is presently not ascertainable.** However in respect of Furniture and Fixtures physical verification are conducted in a phased manner over a period of three years. As explained, no material discrepancies in respect of assets verified were noticed with respect to the book records;
- c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets
- II. a) The inventory, have been physically verified by the management during the year, **excepting those lying at divisions under suspension of operations as indicated in Note No. 27(d) of Schedule 18, status whereof is presently not ascertainable.** In our opinion, and according to the information and explanations given to us, the frequency of verification, wherever carried out, is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedure of physical verification, wherever carried out, in respect of the inventory verified, as followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of our examination of the records of inventory, except in **respect of the Divisions under suspension of operations as indicated in Note No. 27(d) of Schedule 18, where no such verification could be carried out,** we are of the opinion that the company is maintaining proper records of its inventory. As far as ascertained, discrepancies noticed on physical verification of inventory were not material as compared to the book records and these have been properly dealt within the books of account.
- III. As per the records of the Company, it has not taken/ granted any loans, secured or unsecured to any companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly clauses 4 (iii) of the Order are not applicable to the Company.
- IV. In our opinion, and according to information and explanations given to us, there are 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 sale of goods. During the course of our audit, we have not observed any continuing failure to correct the major weaknesses in internal controls.
- V. According to information and explanation given to us and as per the records of the company, there are no transaction that needs to be entered, in the Register maintained under Section 301 of the Act. Accordingly, the provision of the clause 4 (v)(b) of the said order is not applicable to the Company.
- VI. The Company has not accepted any deposit from the public during the year. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the Act and rules framed thereunder, in respect of the deposits accepted in earlier years and lying unclaimed as on 31st March 2006.
- VII. Internal audit is being conducted by Company's own internal audit department, so as to cover the entire operation over a period of time. In our opinion the company's internal audit system in respect of areas covered is commensurate with its size and nature of its' business.
- VIII. On the basis of records produced, we are of opinion that prima facie the cost records and account prescribed by the Central Government under Section 209(1)(d) of the Act in respect of the Company's Powmex Steels Division have been maintained. However, we have not carried out a detailed examination of such records with a view to determine whether they are accurate or complete. In respect of the Company's Steel Division, such records if any could not be accessed due to suspension of work as mentioned in Note No. 27(d) of Schedule 18. The Central Government has not prescribed maintenance of cost records by the company under Section 209(1) (d) of the Act in respect of other products of the Company.
- IX. a) As far as ascertained from the records available for our verification, statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other relevant material statutory dues wherever applicable have generally been regularly deposited during the year with the appropriate authorities **except dues for Provident Fund, Excise Duty, Professional Tax, Income Tax, Sales Tax, Municipal Tax, Corporation tax, property tax, land revenue and Employees State Insurance where there were delays in depositing the amounts due. Further, Municipal Taxes and Corporation tax have not been deposited till the date of our audit with appropriate authorities Arrears for a period of more than six months as on 31st March, 2006 in respect of Provident Fund, Municipal Tax, Water Tax, Land Revenue and Property Tax amount to Rs 18.37 Lacs, Rs 29.12 Lacs, Rs 15.50 Lacs, Rs 25.95 Lacs and Rs 26.21 Lacs respectively.**

- b) According to the information and explanations given to us, and read with Note No. 27(d) of schedule 18 regarding certain records not being accessible in respect of divisions where operation is under suspension, amounts of Income Tax, Sales Tax and Excise Duty amounts which have not been deposited on account of dispute are as given below:

<u>Statute</u>	<u>Nature of Tax</u>	<u>Forum where Dispute is Pending</u>	<u>Amount (Rs. in Lacs)</u>	<u>Period to which amount relates</u>
The Income Tax Act, 1961	Income Tax	CIT (A), ITAT,	4.57	1981-82
		Calcutta High Court	114.96	1997-98
		Orissa High Court	104.61	1991-93
The Central Sales Tax Act, 1956	Central Sales Tax	DC (Appeals)	171.97	1983,1992-2000
		Asstt Commissioner	35.32	1984 2000-03
		Bench II & IV	15.74	1987
Bengal Finance (Sales Tax) Act,1941	Sales tax	Bench II & IV	57.78	1978, 1987
		Asstt Commissioner	31.62	1984
		DC (Appeals)	107.38	1983,1985-86
The West Bengal Sales Tax Act, 1994	Sales Tax	DC (Appeals)	79.98	1992-96
				1995-2003
The Central Excise Act, 1944	Excise Duty	Commissioner (Appeals)	42.81	1998-99
		CESTAT	25.25	2004
		Commissioner of Central Excise	23.99	2005
Central Sales Tax (Orissa Rules). 1957	Sales Tax	Asstt Commissioner of Comm Tax, Bolangir	6.40	2000-01
		Commissioner of Comm Tax, Cuttack	55.08	2001-02
		Commercial Tax Officer, Bolangir	226.37	2002-04

- X. The accumulated losses of the company at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit but had incurred so in the immediately preceding financial year.
- XI. As explained to us and based on the records examined the entire outstanding to banks have been restructured in terms of the scheme sanctioned by the BIFR and accordingly repaid and/or restructured as given in Note 27(a) of Schedule 18. According to the information and explanations given to us, **Company has defaulted in repayment of dues to the debenture holders. Details of amount outstanding in this respect as on 31st March 2006 are as follows:**

<u>Type</u>	<u>Period</u>	<u>Amount Rs. In Lakhs</u>
Debenture	Since February 1999 & 2000	624.77

Further, subsequent to the Balance Sheet date the Company has entered into a settlement with debenture holders and the amount has been fully paid.

- XII. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other security.
- XIII. In our opinion, the Company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of the clause 4 (XIII) of the said order are not applicable to the Company.
- XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (XIV) of the Order is not applicable to the Company.
- XV. The Company has not given any guarantee during the year for loan taken by others. Guarantee in respect of loan taken for cement project by the Company, was given in earlier year on transfer of the said project to wholly owned subsidiary pursuant to a scheme of arrangement approved by Hon'ble High Court at Calcutta. **Considering the present status of GKW Cement Ltd whereby its ability to continue, as a going concern cannot be established, the above guarantee may become prejudicial to the interest of the Company.**
- XVI. As per the information and explanations given to us, fresh term loan taken during the year has been utilized for the purpose for which the same has been obtained.
- XVII. According to the information and explanation given to us and on overall examination of the balance sheet of the Company, we report that funds amounting to Rs.10841.83 lacs raised on short-term basis have been used for long term investment, primarily in financing the losses of the Company.

- XVIII. As given in Note 27(b) of Schedule 18, the Company has made preferential allotment of shares to a Company required to be covered, in the Register maintain under Section 301 of the Act, during the year. Having regard to the fact that such preferential allotment of shares was made pursuant to the amended Order of BIFR which exempted the Company from the provisions relating to preferential allotment of shares, in our opinion, the same is not prejudicial to the interest of the Company.
- XIX. The Company has created securities in respect of Debentures outstanding at the year end.
- XX. The Company has not raised any money through a Public issue during the year.
- XXI. During the course of our examination of books and records of the Company carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud by the Company, noticed and reported during the year, nor have we been informed of any such case by the management.
2. **As indicated in Note 27 (d) of Schedule 18 operation at certain divisions of the Company was under suspension. Due to this certain details, records and documents in respect of these divisions were therefore not available for our verification. Accordingly, status of the various assets (including realizable value thereof), liabilities and contingent liabilities pertaining to these divisions and their impact on the accounts are presently not ascertainable.**
 3. **As indicated in Note 27 (f) of Schedule 18, net recoverable value of the fixed assets has been measured by an independent valuer for the purpose of determination of impairment in the value of fixed assets which had been relied upon and has not been verified by us.**
 4. **We further report that, impact of para 3 and 4 on the Companies profit for the year and the year end net worth has not been ascertained and cannot be commented upon by us**
 5. Further to above, we report that:
 - a) we have obtained, **subject to our observation under Para 3 above**, all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
 - c) **Subject to our comments under Para 2 above**, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books; and
 - d) In our opinion, **subject to our non verification of net recoverable value of assets as stated in para 3 above**, in our opinion, and **non ascertainment of net realizable value of inventory at closed units as mentioned under Para 2 above**, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Act.
 - e) As per the legal opinion received by the Company, the provisions dealing with the disqualification of the directors for their appointment as per section 274(1)(g) of the Act do not get attracted in case of the outstanding debentures in view of memorandum of understanding entered into with the debentures holders for settlement on February, 2001. Having regard to the above and as per the representations received from the directors and taken on record by the Board of Directors, we are of the opinion that none of the director of the Company is disqualified as on 31st March 2006 from being appointed as a director under section 274(1)(g) of the Companies Act 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, **subject to our observation under paras 2 to 4 above, impact whereof has not been ascertained** the said accounts read together with the notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - i. in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2006;
 - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Aditya Saraogi

Partner

Membership No.54643

for Lodha & Co.

Chartered Accountants

Kolkata
29th June, 2006

DIRECTORS' REPORT

Your Directors submit the Annual Report together with the Audited Accounts for the year ended 31st March, 2006

ACCOUNTS

The turnover for the year was Nil (2004-2005 - Nil). Income by way of commission earned on export orders for High Speed Steels during the year was Rs.1.02 lakhs as against Nil for the year 2004-2005. The expenditure incurred by the Company in foreign currency during the year was Rs. Nil (2004-2005 - Nil) and the earnings in foreign currency was Rs.Nil (2004-2005 - Nil). Net profit for the year was Rs.0.80 lakhs as against a net loss of Rs.0.15 lakhs in the year 2004-2005.

OPERATIONS

The Company continues to seek commission business as it is its main line of business.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm

- i) That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and loss of the Company for that period.
- iii) That the Directors had 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.
- iv) That the Directors had prepared the annual accounts on a going concern basis.

Since the Company is not engaged in manufacturing activity, the provisions under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of energy, Technology absorption, Foreign Exchange earnings and outgo are not applicable.

DIRECTORS

Mr. A. Bhattacharya retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment. Mr. M. L. Lahoti has been appointed as an additional Director who will hold office upto the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing Mr. Lahoti as a Director to be appointed at the forthcoming Annual General Meeting.

AUDITORS

M/s. K. C. Roy & Co., the retiring auditors have expressed their willingness to be reappointed

Kolkata
28th June, 2006

For and on behalf of the Board
A. BHATTACHARYA M. L. LAHOTI
Director Director

AUDITORS' REPORT**TO THE MEMBERS OF GKW (OVERSEAS TRADING) LIMITED**

We have audited the attached Balance Sheet of GKW (Overseas Trading) Limited as on 31st March, 2006 and also the Profit & Loss Account for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit is a reasonable basis of our opinion.

We further report that the information pursuant to the provision of paragraphs 3 & 4 of Part II of Schedule VI of the Companies Act, 1956 has not been appended to the accounts as the Company has no activity relating to the manufacturing, trading, export and import of goods.

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 which in our opinion are applicable to the Company.

Further to our comments in the Annexure referred 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 the account as required by law have been kept by the Company so far as appears from the examination of those books
- iii) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit & Loss Account 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 written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, 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 accepted in India:
 - a) In case of the Balance Sheet, of the state of the affairs of the Company as on 31st March, 2006
 - b) In the case of the Profit & Loss account, of the profit for the year ended on that date.

Kolkata
28th June, 2006

N.N. Bhattacharya
Partner
Mem No: 9584
for & on behalf of
K.C. Roy & Co
Chartered Accountants

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF GKW (OVERSEAS TRADING) LIMITED
REFERRED TO IN OUR REPORT OF EVEN DATE.**

- (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on verification. There was no disposal of fixed assets during the year.
- (ii) There has been no inventory at any point of time during the year. Hence, items (a), (b) and (c) of Clause (ii) of the aforesaid order are not applicable.
- (iii) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business. During the course of our audit, no major weakness has been noticed in the internal control systems in respect of these areas.
- (v) Based on the information and explanations given to us, the transactions pertaining to contracts and arrangements that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have not been so entered since the Company inter-alia, does not undertake transactions of purchase and sale of goods, materials and services with associate and group companies, in pursuance of contracts/arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from public within the meaning of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act.
- (vii) The paid-up capital and reserves of the Company at the commencement of the financial year did not exceed Rs 50 Lakhs as at the commencement of the financial year or the average annual turnover for a period of three consecutive financial year immediately preceding the financial year did not exceed Rs 5 Crores and as such, we are not commenting on the internal audit system, if any.
- (viii) Maintenance of cost records as prescribed by the Central Government under clause (d) of sub-section (1) of 209 of the Act is not applicable to the Company.
- (ix) The Company does not have any staff on its payroll and is not engaged in transaction of purchase and sale and therefore item (a) and (b) of clause (ix) of the aforesaid order are not applicable to your Company.
- (x) The Company has no accumulated losses at the end of the financial year **and it has earned profit in the current year as against losses in immediately preceding financial year.**
- (xi) The Company has not taken any loans from Financial Institutions, Banks or Debenture-holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
- (xiv) As informed and explained to us, the Company has not dealt/traded in securities or debentures or other investments during the year.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its associates from bank or financial institutions.
- (xvi) The company has not taken any term loan and as such this para has no application thereof .
- (xvii) No funds raised for short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based on information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the year

N.N.Bhattacharya
Partner

Mem No: 9584
For & on behalf of
K.C. Roy & Co
Chartered Accountants

Kolkata
28th June, 2006

**BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Schedule	31st March,2006 Rs.	Rs.	31st March,2005 Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	500000			500000
Reserves and Surplus	2	514427			434626
Total		<u>1014427</u>			<u>934626</u>
APPLICATION OF FUNDS					
Fixed Assets	3				
Gross block		339847		339847	
Less: Accumulated Depreciation		<u>328635</u>		<u>326825</u>	
Net Block			11212		13022
Investments	4		500000		500000
Current Assets, Loans and Advances					
Cash and Bank Balances	5	10342		11757	
Loans and Advances	6	506707		415707	
		<u>517049</u>		<u>427464</u>	
Less : Current Liabilities and Provisions					
Liabilities		5860		5860	
Provisions		7974		-	
		<u>13834</u>		<u>5860</u>	
Net Current Assets			503215		421604
Total			<u>1014427</u>		<u>934626</u>
Notes on Accounts	8				
The schedules referred to above form an integral part of the Balance Sheet This is the balance sheet referred to in our report of even date.					
N N Bhattacharya Partner For and on behalf of Chartered Accountants Kolkata 28th June, 2006			On behalf of the Board A. Bhattacharya M. L. Lahoti Director Director		

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

	Schedule	2005-2006 Rs.	2004-2005 Rs.
INCOME			
Commission		101486	-
Others		-	-
		<u>101486</u>	<u>-</u>
EXPENDITURE AND CHARGES			
Expenses	7	11901	12378
Depreciation		1810	2100
		<u>13711</u>	<u>14478</u>
PROFIT/(LOSS) BEFORE TAXATION		87775	(14478)
Taxation		7974	-
PROFIT/(LOSS) AFTER TAXATION		79801	(14478)
Balance from previous year brought forward		434626	449104
Balance carried forward		<u>514427</u>	<u>434626</u>
Notes on Accounts	8		
The schedules referred to above form an integral part of the Profit and loss Account This is the Profit & Loss account referred to in our report of even date.			
N N Bhattacharya Partner for and on behalf of K C Roy & Co Chartered Accountants Kolkata 28th June 2006		On behalf of the Board A. Bhattacharya M. L. Lahoti Director Director	

GKW (OVERSEAS TRADING) LIMITED

SCHEDULES TO BALANCE SHEET

	31st March, 2006 Rs.	31st March, 2005 Rs.		
1. SHARE CAPITAL				
Authorised				
50000 Ordinary shares of Rs. 10 each	<u>500000</u>	<u>500000</u>		
Issued and subscribed				
50000 Ordinary shares of Rs. 10 each fully paid up in cash.	<u>500000</u>	<u>500000</u>		
(The whole of the subscribed capital is held by GKW limited and its nominees)				
2. RESERVES AND SURPLUS				
Profit and Loss Account	<u>514427</u>	<u>434626</u>		
3. FIXED ASSETS				
	Plant & Machinery Rs.	Furniture & Fittings Rs.	Total 2005/2006 Rs.	Total 2004/2005 Rs.
Cost				
As at the beginning of the year	<u>336204</u>	<u>3643</u>	<u>339847</u>	<u>339847</u>
Total as at the year end	<u>336204</u>	<u>3643</u>	<u>339847</u>	<u>339847</u>
Depreciation				
As at the beginning of the year	<u>323183</u>	<u>3642</u>	<u>326825</u>	<u>324725</u>
Add: For the year	<u>1810</u>	<u>-</u>	<u>1810</u>	<u>2100</u>
Total as at the year end	<u>324993</u>	<u>3642</u>	<u>328635</u>	<u>326825</u>
Net book value as at 31st March, 2006	<u>11211</u>	<u>1</u>	<u>11212</u>	<u>-</u>
Net book value as at 31st March, 2005	<u>13021</u>	<u>1</u>	<u>-</u>	<u>13022</u>
4. INVESTMENTS				
Unquoted				
GKW Infosystems Limited			<u>500000</u>	<u>500000</u>
50000 Ordinary shares of Rs.10/- each fully paid-up at cost				
5. CASH AND BANK BALANCES				
Cash and cheques in hand			5169	3582
Bank balances with scheduled bank on current account			<u>5173</u>	<u>8175</u>
			<u>10342</u>	<u>11757</u>
6. LOANS AND ADVANCES - Unsecured				
Considered good				
Advances recoverable in cash or value to be received [Includes receivable from GKW Ltd. Rs.494264 (Previous year - Rs.408957), the holding Company.]			494264	408957
TDS Receivable			5693	-
Advance Tax			<u>6750</u>	<u>6750</u>
			<u>506707</u>	<u>415707</u>
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT				
7. EXPENSES				
Rates and taxes			4935	4812
Bank charges			56	56
Auditors' remuneration (Note 2)			6000	6000
Licence / Filing fees			<u>910</u>	<u>1510</u>
			<u>11901</u>	<u>12378</u>

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

SCHEDULE - 8

1. ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION AND REVENUE RECOGNITION

These Accounts are prepared under the historical cost convention. Both income and expenditure items are recognised on accrual and prudent basis.

(b) FIXED ASSETS AND DEPRECIATION

Fixed assets and capital work in progress are stated at cost. Depreciation on fixed assets are being recognised on Written Down Value Method at rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

(c) INVESTMENTS

Long Term Investments are stated at cost.

(d) Provision for Current Income Tax is made on the taxable income using the applicable tax rates and tax laws. Deferred tax assets or liabilities arising on account of timing differences, which are capable of reversal in one or more subsequent years is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognisable unless there is sufficient assurance with respect to the future taxable income.

	2005/2006	2004/2005
	Rs.	Rs.
2. PAYMENTS TO AUDITORS		
As auditors of the Company	<u>6735</u>	<u>6612</u>

3. LIST OF SMALL SCALE INDUSTRIAL UNDERTAKINGS TO WHOM COMPANY OWES A SUM EXCEEDING RS 100 THOUSANDS, WHICH IS OUTSTANDING FOR MORE THAN 30 DAYS.

There is no such party.

4. CLAUSE 4-C OF PART II OF SCHEDULE VI IS NOT APPLICABLE TO THE COMPANY

5. VALUE OF IMPORTS ON CIF BASIS.

NIL

6. EXPENDITURE IN FOREIGN CURRENCY

NIL

7. In view of accumulated losses brought forward from earlier years, the provision for current taxation as well as for deferred tax assets or liability in terms of Accounting Standard (AS) -22 " Accounting for taxes on income " issued by The Institute of Chartered Accountants of India have not been recognised since there is no sufficient assurance with respect to reversal thereof in future years.

8. Regarding "Related Party Disclosures" as per Accounting Standard 18 of The Institute of Chartered Accountants of India we give below the following details:

<u>Name of the related party</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	<u>Value of Transaction for the year</u>		<u>Debit/(Credit) outstanding Balance as on</u>	
			<u>2005-06</u>	<u>2004-05</u>	<u>31.03.06</u>	<u>31.03.05</u>
GKW Limited	Holding Company	Receiving of services			494264	408957
		Rendering of services	101486	-	-	-

GKW (OVERSEAS TRADING) LIMITED**INFORMATION PURSUANT TO PART IV OF THE COMPANIES ACT, 1956****9. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. REGISTRATION DETAILS**

Registration No.	27207	State Code	21
Balance Sheet Date	31 03 2006		
	Date Month Year		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rupees)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rupees)

Total Liabilities	1028261	Total Assets	1028261
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SOURCES OF FUNDS

Paid-up Capital	500000	Reserves & Surplus	514427
Secured Loans	-	Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	11212	Investments	500000
Net Current Assets	503215	Misc. Expenditure	Nil
Accumulated Losses	-		

IV. PERFORMANCE OF THE COMPANY (Amount in Rupees)

Turnover	Nil	Total Expenditure	13711
Total Income	101486	Profit/(Loss) after Tax	79801
Profit/(Loss) before Tax	87775	Dividend Rate %	Nil
Earnings per Share	-		

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

(as per monetary terms)

Item Code No. (ITC Code)	Nil
Product Description	Nil

10. Previous Year's figures have been re-grouped/re-arranged where necessary.

Signature to Schedules 1 to 8 forming part of Balance Sheet and Profit and Loss Account.

On behalf of the Board

Kolkata
28th June, 2006

A. Bhattacharya
Director

M. L. Lahoti
Director

DIRECTORS' REPORT

Your Directors submit the Annual Report together with the Audited Accounts for the year ended 31st March 2006.

PROJECT IMPLEMENTATION

1. The implementation of the project for setting up 1.4 Million tonne Cement plant at District Bhavalia, Tehsil Nimbahera, Dist. Chittorgarh, Rajasthan. continues to be on hold.
2. The Government of Rajasthan has not yet taken any decision on the Company's application to extend the validity of the Mining Lease which expired on 24th June, 2001, whereas it initiated steps to cancel the mining lease against which the Company moved the Appropriate Authority for an appropriate order for stay on cancellation of mining lease and the stay order was accordingly granted.
3. During the year under review the Company accepted the proposal of IFCI Ltd. for One Time Settlement (OTS) for Rupee Term Loan and Foreign Currency Loan and OTS was agreed at 25 crores in full and final settlement subject to a further payment of the amount by which sale proceeds of the assets of the Company exceed Rs.17 crores. The maximum amount payable to IFCI would be restricted to Rs. 5 crores even if the sale proceeds exceed Rs.22 crores. Since a Promoter Group Company provided the necessary financial assistance to IFCI to discharge the said OTS IFCI on its part, agreed to assign all its rights and title and interest in the securities it was holding to secure the Rupee and Foreign Currency Term Loans including Corporate Guarantees given by GKW Ltd to IFCI (guaranteeing repayment of the said Term Loans) to the said Promoter Company and subsequent to the Balance Sheet consequent upon payment of the agreed amount of Rs.25 crores in full and final settlement IFCI has withdrawn the recovery proceedings at Debt Recovery Tribunal, Kolkata.

FINANCE AND ACCOUNTS

1. During the year under review, the capital expenditure (including pre-operative expenses) amounted to Rs.246.63 lakhs which includes interest on Customs duty of Rs.216.63 lakhs. Total borrowings as on 31.03.2006 amounted to Rs.5250 lakhs, out of which borrowings from Term Lending Institution was Rs.2500 lakhs and balance Rs.2750 lakhs represents unsecured convertible zero interest bearing debentures. The reduction in borrowings amounting to Rs.11938.61 lakhs is on account of One Time Settlement (OTS) with IFCI Ltd. as stated above.
2. As regards non verification of fixed assets referred to in the Auditors' Report, the fixed assets such as plant & machinery could not be verified as the same were lying in the Bonded Warehouse of the Customs Authorities at Mumbai Port.
3. As regards arrears for a period of more than 6 months as on 31st March, 2006 in respect of Customs duty including interest thereon, Mining dead rent including surface rent and warehouse rent referred to in the CARO of Auditors' Report, Note No. 11(a) on the Accounts is self explanatory.
4. As regards uncertainty about the ability of the Company to continue as a going concern and their inability to comment on the exact status thereof and consequential adjustments arising due to non realization of assets and discharge of liability referred to in Auditors' Report, Note No. 11(a) on the Accounts is self-explanatory.
5. As regards delay or non implementation of the project, necessary non adjustment with respect to excess of book value of fixed assets over the estimated realizable value referred to in the Auditors' Report, Note No 11(a) on the Accounts is self-explanatory.
6. As regards inclusion of expenditure during construction period and advances given to the suppliers, in the fixed assets as pre-operative expenditure and capital work in progress instead of transferring the same to the Miscellaneous Expenditure referred to in the Auditors' Report, Note No. 11(a) on the Accounts is self-explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm ;

- i) That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and loss of the Company for that period.
- iii) That the Directors had 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.
- iv) That the Directors had prepared the annual accounts on a going concern basis.

Since the project is under implementation the provisions under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of energy, Technology absorption, Foreign Exchange earnings and outgo are not applicable.

DIRECTORS

Mr. A. Chakrabarti resigned from the Board of Directors and in his place Mr. R. K. Bahl was appointed as Director on the Board of Directors.

Mr. A. Bhattacharya will retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment.

AUDITORS

M/s Lodha & Co. the retiring Auditors have expressed their willingness to be re-appointed.

Kolkata
28th June, 2006

For and on behalf of the Board
A. Bhattacharya M.K. Mallick
(Director) (Director)

**AUDITORS' REPORT
TO THE MEMBERS OF GKW CEMENT LIMITED**

We have audited the attached Balance Sheet of GKW Cement Limited (the Company), as at 31st March, 2006. These financial statements of the company are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the order") issued by the Central Government in exercise of the powers conferred by Section 227 (4A) of the Companies Act 1956, ("the Act") and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that :
 - I) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
(b) The fixed assets have not been physically verified by the management during the year.
(c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets.
 - II) The Company has no inventory and accordingly clause 4 (ii) of the order is not applicable.
 - III) As per the records of the Company, it has not taken/ granted any loans, secured or unsecured to any companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly clause 4 (iii) of the Order are not applicable to the Company.
 - IV) There being no purchase or sale transactions during the year, adequacy of internal control procedures for purchase of inventory, fixed assets and with regards to the sale of goods cannot be commented upon.
 - V) According to information and explanation given to us, there are no transaction that needs to be entered into the register maintained in pursuance of Section 301 of the Act.
 - VI) According to the information and explanation given to us, the company has not accepted any deposit from public during the year
 - VII) No internal audit has been conducted during the year.
 - VIII) The Company is still in project stage, therefore clause 4 (viii) of the Order is not applicable.
 - IX) a) As far as ascertained from the records produced for our verification, there was generally delay in depositing Provident Fund, Customs duty, Mining dead rent including surface rent and Warehouse rent have not been deposited till the date of our audit. Other than these, as far as ascertained from the records and produced for our verification, the company's dues including Income Tax other statutory dues, **to the extent applicable to the Company have generally been regularly deposited** during the year with the appropriate authorities. **Arrears for a period of more than six months as on 31st March, 2006 in respect of customs duty including interest thereon**, Mining dead rent including surface rent and warehouse rent as estimated by the management and provided for in the accounts, amount to Rs 3176.73 Lakhs, Rs 4.20 Lakhs and Rs 131.09 Lakhs respectively.
b) According to the information and explanations given to us, there are no amounts outstanding as on 31st March 2006 in respect of disputed Income-Tax and customs duty.
 - X) After considering our observation given in paragraph 2 (iii) below, the net worth of the company is eroded by more than fifty percent. As mentioned in Note 11 (c) (i) of Schedule 9 the company has not prepared Profit & Loss account, the clause relating to cash loss is not applicable.
 - XI) In view of the settlement with the financial institution and subsequent repayment of the loan in terms of such settlement as given in Note 11(a) of Schedule 9 in our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to bank and debenture holders.
 - XII) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other security.
 - XIII) In our opinion, the Company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provision of the clause 4 (XIII) of the said order is not applicable to the Company.
 - XIV) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (XIV) of the Order is not applicable to the Company.
 - XV) The Company has not given any guarantee during the year for loan taken by others.
 - XVI) As per the information and explanations given to us, no fresh term loan has been taken during the year.
 - XVII) The Company is still in project stage, as such all investments including incidental expenditure during construction period are made out of long term fund only.
 - XVIII) The Company has not made any preferential allotment of shares to parties and companies required to be covered, in the Register maintain under Section 301 of the Act, during the year.
 - XIX) The Company has not issued any debentures.
 - XX) The Company has not raised any money through a Public issue during the year.
 - XXI) During the course of our examination of books and records of the Company carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud by the Company, noticed and reported during the year, nor have we been informed of any such case by the management.
2.
 - i) **We draw attention to Note 11(a) of Schedule 9 in the financial statements. The various matters mentioned in the said note, raise uncertainty about the ability of the company to continue as a going concern. We are unable to comment on the exact status thereof and the consequential adjustments arising due to non realization of its assets and discharge of its liabilities and their impact on the accounts.**
 - ii) **Fixed Assets, capital work in progress and other incidental expenses have been carried forward at their respective amounts existing in the accounts. In view of the delay or non implementation of the project, necessary adjustment, including with respect to excess of book value of fixed assets over their estimated realizable value, has not been carried out. Consequential impact in this respect could not be ascertained and commented upon by us.**
 - iii) **The total expenditure incurred by the company during construction period and advances given to suppliers have been included as part of fixed assets as preoperative expenditure and capital work in progress instead of transferring the same to Miscellaneous expenditure and thereby fixed assets of the company is higher by Rs.3677.82 lakhs. In view of the prolonged interruption of project, the impact thereof including on the revenue, on preparation of profit & loss account by the management, pending ascertainment of the amount finally allocable to fixed assets (as given in Note 11(d) of Schedule 9) cannot be readily ascertained and commented upon by us as on this date.**
 - iv) **Non-ascertainment and non provision of impairment loss with respect to fixed assets included in capital work in progress. Overall impact cannot be ascertained and commented upon by us and consequential effect on the year end loss and respective assets/liabilities cannot be determined.**
3. Further to above, we report that:
 - a) We have obtained, all the information and explanations except as given in Note 11(e) of Schedule 9 which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) The Balance Sheet referred to in this report is in agreement with the books of account.
 - c) In our opinion, proper books of account as required by law except as given in Note 11 (a) of Schedule 9 have been kept by the Company so far as appears from our examination of such books: and
 - d) In our opinion, the Balance Sheet prepared by the company except as given in Note 11(a) and Note 11 (c) of Schedule 9 regarding non compliance of various Accounting standards and non determination/adjustment of impairment loss to the fixed assets is in compliance with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Act.
 - e) As per the written representation received from the directors and taken on record by the Board and legal opinion received, none of the directors of the company are disqualified from being appointed as Director under Section 274(1)(g) of the Act.
 - f) In our opinion and to the best of our information and according to the explanations given to us, **in view of our observation under para 2 above and non confirmation/adjustments of debit and credit balances, we are unable to comment whether the said accounts read together with the notes thereon give information required by the Act in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2006.**

**BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Schedule	Rs. Lakhs	
		2005-2006	2004-2005
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	120.12	120.12
Loan Funds			
Secured Loans	2	2500.00	14438.01
Unsecured Loans	3	2750.00	17188.01
Total		5370.12	17308.13
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		911.25	911.25
Less: Depreciation		23.83	22.42
Net Block		887.42	888.83
Capital work-in-progress		5740.22	5740.22
Incidental expenditure during construction	5	2276.22	13967.60
		8903.86	20596.65
Current Assets, Loans and Advances			
Cash and Bank Balances	6	0.14	0.18
Loans and Advances	7	1.88	1.89
		2.02	2.07
Less: Current Liabilities	8	3536.40	3291.23
Net Current Assets		(3534.38)	(3289.16)
Miscellaneous expenditure to the extent not written off		0.64	0.64
Total		5370.12	17308.13
Notes on Accounts	9		

The schedules referred to above and the notes attached form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Aditya Saraogi
Partner

On behalf of the Board

For and on behalf of
LODHA & CO
Chartered Accountants

Kolkata A. Bhattacharya M. K. Mallik
28th June, 2006 Director Director

SCHEDULES TO BALANCE SHEET

	Rs. Lakhs			
	2005-2006		2004-2005	
	Rs.	Rs.	Rs.	Rs.
1. SHARE CAPITAL				
Authorised				
1500000 Equity Shares of Rs. 10/- each		150.00	–	150.00
Issued, Subscribed and Paid up Capital				
1200 Equity Shares of Rs.10/- each fully paid up in cash		0.12	–	0.12
1200000 Equity Shares of Rs. 10/- each fully paid up for consideration other than cash pursuant to Scheme of Arrangements sanctioned by the Hon'ble High Court at Calcutta. (Entire 1201200 Shares are held by GKW Ltd. the holding company)		120.00		120.00
		120.12		120.12
2. SECURED LOANS				
Term Loans from Industrial Finance Corporation of India (Note 11(a))	2500.00		3726.63	
Interest Accrued and due thereon	–	2500.00	10711.38	14438.01
i) Secured by first mortgagage and charge of the Company's immovable properties, both present and future and				
ii) Secured by first charge by way of hypothecation of the Company's movable (save and except book debts) including movable machinery, machinery spares, tools and accessories present and future subject to prior charge to be created in favour of Company's bankers on Company's stock of raw material, semi finished and finished goods, consumable stores and and such other movables as may be agreed between the banks and the Company.				
iii) Secured by Corporate guarantee of GKW Limited		2500.00		14438.01

GKW CEMENT LIMITED
SCHEDULES TO BALANCE SHEET

	Rs. Lakhs	
	2005-2006	2004-2005
3. UNSECURED LOANS		
Zero coupon, non-interest bearing unsecured convertible debentures Rs. 19.50 each	<u>2750.00</u>	<u>2750.00</u>

4 FIXED ASSETS	GROSS BLOCK			GROSS BLOCK			NET BLOCK		
	As at 31.3.2005	Withdrawals/ Addition	As at Adjustment 31.3.2006	As at 31.3.2006	For the Year	Withdrawals/ Adjustment	As at 31.3.2006	As at 31.3.2006	As at 31.3.2005
Land & Mining Rights	877.65	-	877.65	-	-	-	-	877.65	877.65
Building	7.33	-	7.33	1.72	0.12	-	1.84	5.49	5.61
Plant & Machinery	12.03	-	12.03	10.57	0.39	-	10.96	1.07	1.46
Furniture & Fixture	14.24	-	14.24	10.13	0.90	-	11.03	3.21	4.11
Total	<u>911.25</u>	<u>-</u>	<u>911.25</u>	<u>22.42</u>	<u>1.41</u>	<u>-</u>	<u>23.83</u>	<u>887.42</u>	<u>888.83</u>
Capital Work-in-progress								<u>5740.22</u>	<u>5740.22</u>
								<u>6627.64</u>	<u>6629.05</u>

Land & Mining Rights includes Rs.300 Lakhs paid to acquire certain rights, entitlements, licences and approvals required for the project implementaton. Capital work-in-progress includes advances given to suppliers for plant and machinery of Rs. 1401.60 Lakhs (2004/05 - Rs 1401.60 Lakhs) and estimated Custom duty of Rs.1444 Lakhs (2004/05 - Rs 1444 Lakhs).

	Rs. Lakhs	
	2005/2006	2004/2005
5. INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD		
Balance brought forward from previous year	13967.60	11238.27
Less: Term Loan from IFCI no longer required to be paid (Note 11(a))	(1226.63)	-
Less: Interest on Term Loan from IFCI no longer required to be paid (Note 11(a))	(10711.38)	-
	<u>2029.59</u>	<u>11238.27</u>
Expenditure during the year		
Staff Salary	1.14	2.29
Staff Welfare Expenses	0.01	0.04
Travelling Expenses	0.20	0.32
Printing & Stationery	0.01	0.02
Rent	4.11	3.53
Rates and Taxes	0.03	0.03
Postage Telephone and Fax	0.04	0.12
Bank Charges	0.07	0.01
Miscellaneous Expenses	0.28	0.17
Establishment Expenses	0.38	0.16
Interest on IFCI Loan	-	2482.28
Interest on Custom duty	216.63	216.63
Audit Fees	0.15	0.15
Depreciation	1.41	1.41
Warehouse Rent	22.17	22.17
Amount carried forward to Balance sheet	<u>2276.22</u>	<u>13967.60</u>
6. CASH AND BANK BALANCES		
Cash in Hand	0.02	0.02
Balances with scheduled banks (including cheques in transit)	0.12	0.16
	<u>0.14</u>	<u>0.18</u>
7. LOANS AND ADVANCES - Unsecured		
Considered good		
Advances recoverable in cash or value to be received	1.01	1.02
Other Deposits (including Rs 0.03 Lakhs in National Savings Certificate)	0.87	0.87
	<u>1.88</u>	<u>1.89</u>
8. LIABILITIES		
Sundry Creditors	3459.55	3218.91
Amount payable to GKW Limited	76.85	72.32
	<u>3536.40</u>	<u>3291.23</u>

SCHEDULES TO BALANCE SHEET

Rs. Lakhs
2005/2006 2004/2005

9. NOTES ON ACCOUNTS FOR THE PERIOD FROM 1ST APRIL, 2005 TO 31ST MARCH, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

(i) ACCOUNTING CONVENTION AND REVENUE RECOGNITION

These Accounts are prepared on the basis of historical cost. Expenditure items are recognised on accrual basis.

(ii) FIXED ASSETS AND DEPRECIATION

Fixed assets and capital work-in-progress are stated at cost. Depreciation on fixed assets are being recognised on Straight line method at rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

(iii) FOREIGN CURRENCY TRANSACTIONS

- a) Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of such transaction.
- b) Receivables/payables in foreign currencies are translated at the appropriate forward contract rate, or, if not covered, at the exchange rate ruling at the balance sheet date. The gain/loss arising on account of such translation, as also on the exchange differences on settlement of the foreign currency transactions during the year are recognised as income or expense and are reflected in the profit and loss account under respective heads of account except those relating to acquisition of imported fixed assets where such exchange difference is adjusted to carrying amount of the said fixed assets.

(iv) INCIDENTAL EXPENDITURE DURING CONSTRUCTION

Expenses incurred during construction are allocated to cost of respective assets or treated as deferred revenue or revenue expenditure on completion of the project depending upon the nature of the expenses.

(v) TERMINAL EMPLOYEE BENEFITS

Gratuity payable to the employees will be provided in the accounts on the basis of the Payment of Gratuity Act, 1972. Accrued leave liability will be provided on the basis of management estimate.

(vi) BORROWING COST

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.

2. CAPITAL EXPENDITURE COMMITMENTS

Estimated outstanding commitments for capital expenditure (net)	100.04	100.04
---	--------	--------

3. CONTINGENT LIABILITY

In respect of ;

Stamp duty on transfer of mining lease right, pending before the Rajasthan High Court.	62.00	62.00
--	-------	-------

Claims not acknowledged as debts relating to purchase of Plant & Machinery	682.35	690.10
--	--------	--------

4. PAYMENT TO AUDITORS

Total amount paid or payable to the auditors as auditor of the Company	0.15	0.15
--	------	------

5. LIST OF SMALL SCALE INDUSTRIAL UNDERTAKINGS TO WHOM COMPANY OWES A SUM EXCEEDING RS 100 THOUSANDS, WHICH IS OUTSTANDING FOR MORE THAN 30 DAYS.

There is no such party.

6. CLAUSE 4-C OF PART I OF SCHEDULE VI IS NOT APPLICABLE TO THE COMPANY AS NO MANUFACTURING ACTIVITY HAS STARTED.

7. VALUE OF IMPORTS ON CIF BASIS.	NIL	NIL
-----------------------------------	-----	-----

8. EXPENDITURE IN FOREIGN CURRENCY	NIL	NIL
------------------------------------	-----	-----

9. Current liabilities include estimated customs duty Rs. 3310 Lakhs including interest of Rs. 1889 Lakhs payable on duty.

SCHEDULES TO BALANCE SHEET

10. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	21-89065	State Code	21
Balance Sheet Date	31 03 2006		
	Date Month Year		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Lakhs)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs Lakhs)

Total Liabilities	8906.52	Total Assets	8906.52
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SOURCES OF FUNDS

Paid-up Capital	120.12	Reserves and Surplus	Nil
Secured Loans	2500.00	Unsecured Loans	2750.00

APPLICATION OF FUNDS

Net Fixed Assets	887.42	Investments	Nil
Net Current Assets	(3534.38)	Miscellaneous Expenditure	0.64
Accumulated Losses	Nil		

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Lakhs)

Turnover (including other income)	Nil	Total Expenditure	Nil
Profit/(Loss) before Tax	Nil	Profit/(Loss) after Tax	Nil
Earnings per Share	Nil	Dividend Rate %	Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY

(as per monetary terms)	Nil
Item Code no.(ITC Code)	Nil
Product Description	Nil

11 GENERAL

- (a) In view of the recovery proceedings by IFCI, the lender at the Debt Recovery Tribunal, Kolkata (DRT) subsisting on the balance sheet date, the fixed assets, capital work-in-progress and incidental expenditure during the construction period including those incurred during the year end liabilities are carried forward at their respective book values and interest on custom duty has been provided for subject to determination thereof. However, subsequent to the close of the financial year ended 31st March, 2006 an agreement for one time settlement (OTS) has been arrived with IFCI Ltd for full and final settlement of their dues. Hence provision for interest accrued on secured loan of Rs 10711.38 Lakhs upto 31.03.2005 which is no longer required, has been reversed in terms of said settlement. Further, principal of Rs 1226.63 Lakhs has also been waived off and the same has been written back. The corresponding adjustment in this respect has been made in incidental expenditure during construction period. Other consequential adjustments in the value of assets and liabilities including impairment of assets and pre-operative expenditure as may be required will be carried out on the resolution of the DRT proceedings, and implementation of the OTS in the current year .
- (b) The Company's applications for transfer of all licences, title deeds and entitlements, rights, charges, contracts etc. which have been vested to the Company as per Scheme of Arrangement sanctioned by Hon'ble High Court at Calcutta dated 13th October, 1999 are still pending.
- (c) (i) The Company has prepared the statement of incidental expenditure during construction instead of Profit & Loss Account, hence Cash Flow AS-3, Segment Reporting AS-17, Earning per share AS-20, accounting for current tax and deferred tax AS-22 issued by The Institute of Chartered Accountants of India are not applicable.
(ii) The necessary details as per Part II of Schedule VI to the Companies Act, 1956 have been disclosed in the said statement.
- (d) The analysis of incidental expenditure incurred during construction period is being carried out and the consequential impact in this regard will be given in these accounts after completion of the same.
- (e) Debit and Credit balances in respect of advances and creditors are subject to confirmation and consequential adjustment arising if any therefrom.
- (f) Previous year's figures have been rearranged and regrouped where necessary.

Kolkata
28th June, 2006

On behalf of the Board
A. Bhattacharya M. K. Mallik
Director Director

Aditya Saraogi
Partner
for and on behalf of
LODHA & CO
Chartered Accountants

DIRECTORS' REPORT**TO THE SHAREHOLDERS**

Your Directors submit their Fifth Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

ACCOUNTS

The turnover for the year was NIL (2004-2005 - NIL). The Company incurred a loss of Rs.37,596/- (2004-2005 - Rs.99,025/-) during the said period. In respect of Auditors' Report as stated in item No. (vi) and item No. (x) of Annexure of the Report, the item No. 10(a) of Notes of Accounts is self-explanatory. Since the Company is not engaged in manufacturing activity, provision under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of Energy, Technical Absorption, are not applicable.

OPERATIONS

The Company continued to pass through difficult period resulting in erosion of network. The Company's training activities continued to remain suspended as the revival of demand did not materialize. Various options are being explored to support truncated activities, and revival of business on receipt of financial support from the parent company in due course.

FOREIGN EXCHANGE EARNINGS AND OUT GO

There was no foreign exchange earnings and outgo.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm :

- i) That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and loss of the Company for that period.
- iii) That the Directors had 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.
- iv) That the Directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

There was no employee in receipt of remuneration required to be reported under Section 217(2A) of the Companies Act, 1956.

DIRECTORS

Mr. A. Chakrabarti will retire at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

AUDITORS

M/s. K. C. Roy & Co., Chartered Accountants, the retiring Auditors have expressed their willingness to be re-appointed.

For and on behalf of the Board

Kolkata
28th June, 2006

A. Bhattacharya
Director

M. K. Mallik
Director

AUDITORS' REPORT**TO THE MEMBERS OF GKW INFOSYSTEMS LIMITED**

We have audited the attached Balance Sheet of GKW Infosystems Limited as on 31st March, 2006 and also the Profit & Loss Account for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit is a reasonable basis of our opinion.

We further report that the information pursuant to the provision of paragraphs 3 & 4 of Part II of Schedule VI of the Companies Act, 1956 has not been appended to the accounts as the Company has no activity relating to the manufacturing, trading, export and import of goods.

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.

Further to our comments in the Annexure referred 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 the account as required by law have been kept by the Company so far as appears from the examination of those books.
- iii) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit & Loss Account 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 written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) **As indicated in Note no: 10(a) of Schedule 10, the accounts of the Company has been prepared on a going concern basis. However, a workable business plan of the company is being finalized for obtaining the financial support from the parent company and accordingly, no opinion in this respect can presently be expressed.**
- vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, 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 accepted in India:
 - a. In case of the Balance Sheet, of the state of the affairs of the Company as on 31st March, 2006
 - b. In the case of the Profit & Loss account, of the loss for the year ended on that date.

Kolkata
28th June, 2006

For & on behalf of
K.C. Roy & Co
Chartered Accountants
N.N. Bhattacharya
Partner
Mem No: 9584

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF GKW INFOSYSTEMS LIMITED
REFERRED TO IN OUR REPORT OF EVEN DATE.**

- (i) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year which in our opinion is reasonable. No material discrepancies were noticed on verification. There was no disposal of fixed assets during the year.
- (ii) There has been no inventory at the end of the year. Hence, items (a) (b) and (c) of Clause (ii) of the aforesaid order are not applicable.
- (iii) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business. No major weakness have been noticed in the internal control in respect of those areas during the course of our audit.
- (v) Based on the information and explanations given to us, the transactions pertaining to contracts and arrangements that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have not been so entered since the Company inter-alia, does not undertake transactions of purchase and sale of goods, materials and services with associate and group companies, in pursuance of contracts/arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from public within the meaning of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Companies Act, 1956.
- (vii) The paid-up capital and reserves of the Company at the commencement of the financial year did not exceed Rs 50 Lakhs as at the commencement of the financial year or the average annual turnover for a period of three consecutive financial year immediately preceding the financial year did not exceed Rs 5 Crores and as such, we are not commenting on the internal audit system, if any.
- (viii) Maintenance of cost records as prescribed by the Central Government under clause (d) of sub-section (1) of 209 of the Act is not applicable to the Company.
- (ix) The Company does not have any staff on its payroll and is not engaged in transaction of purchase and sale and therefore item (a) and (b) of clause (ix) of the aforesaid order are not applicable to your Company.
- (x) ***The Company has accumulated losses at the end of the financial year which has exceeded its total net worth and it has also incurred cash losses in the current and immediately preceding financial year.***
- (xi) The Company has not taken any loans from Financial Institutions, Banks or Debenture-holders
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
- (xiv) As informed and explained to us, the Company has not dealt/traded in securities or debentures or any other investments during the year.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its associates from bank or financial institutions.
- (xvi) The Company has not taken any term loan and as such this para has no application thereof.
- (xvii) No funds raised for short term basis have been used for long term investment.
- (xviii) The Company has not made preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based on information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the year.

N.N.Bhattacharya
Partner

Mem No: 9584
K.C. Roy & Co

Chartered Accountants

Kolkata
28th June, 2006

BALANCE SHEET
AS AT 31ST MARCH ,2006

	Schedule	Rs.	2005-2006 Rs.	Rs.	2004-2005 Rs.
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1		<u>500000</u>		<u>500000</u>
TOTAL			<u>500000</u>		<u>500000</u>
APPLICATION OF FUNDS					
Fixed Assets	2				
Gross Block		80700		80700	
Less : Depreciation		<u>68434</u>		<u>55352</u>	
Net Block			12266		25348
Current Assets, loans and advances					
Inventories	3	-		12033	
Sundry Debtors	4	-		-	
Cash and bank balances	5	15033		13860	
Loans and Advances	6	<u>25879</u>		<u>25879</u>	
				51772	
Current Liabilities and provisions	7	<u>1955355</u>		<u>1941701</u>	
Net Current Assets			<u>(1914443)</u>		<u>(1889929)</u>
Profit and Loss Account			<u>2402177</u>		<u>2364581</u>
TOTAL			<u>500000</u>		<u>500000</u>
Notes on Accounts	10				

The schedules referred to above and the notes attached form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our report of even date.

N.N.Bhattacharya
Partner
For and on behalf of
K.C.ROY & CO.
Chartered Accountants

On behalf of the Board

Kolkata
28th, June 2006

A.Bhattacharya M.K.Mallik
Director *Director*

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	2005-2006 Rs.	2004-2005 Rs.
INCOME			
Miscellaneous Income (Note 5)		-	<u>3247</u>
EXPENDITURE AND CHARGES			
Operating Costs	8	24514	76486
Other Charges	9	-	12705
Depreciation		<u>13082</u>	<u>13081</u>
		<u>37596</u>	<u>102272</u>
Profit/(Loss) before Taxation		<u>(37596)</u>	<u>(99025)</u>
Provision for Taxation			-
Profit/(Loss) after Taxation		<u>(37596)</u>	<u>(99025)</u>
Balance from previous year brought forward		<u>(2364581)</u>	<u>(2265556)</u>
Balance of Profit/(Loss) account		<u>(2402177)</u>	<u>(2364581)</u>
Notes on Accounts	10		

The schedules referred to above and the notes attached form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our report of even date.

N.N.Bhattacharya
Partner
For and on behalf of
K.C.ROY & CO.
Chartered Accountants

On behalf of the Board

Kolkata
28th, June 2006

A.Bhattacharya M.K.Mallik
Director *Director*

GKW INFOSYSTEMS LIMITED

SCHEDULES TO BALANCE SHEET

1. SHARE CAPITAL

	2005-06 Rs.	2004-05 Rs.
Authorised 100000 Ordinary Shares of Rs.10/-each.	<u>1000000</u>	<u>1000000</u>
Issued and Subscribed 50000 Ordinary Shares of Rs.10/-each fully paid up. (The whole of the subscribed capital is held by GKW (Overseas Trading) Limited and its nominees)	<u>500000</u>	<u>500000</u>

2. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March 2005	Additions	Withdrawals	As at 31st March 2005	For the Period	Withdrawals	As at 31st March 2006	As at 31st March 2006	As at 31st March 2005	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	
Computer	80700	-	-	80700	55352	13082	-	68434	12266	25348

3. INVENTORIES

	2005-06 Rs.	2004-05 Rs.
At or under Cost (Being cost or net realisable value whichever is lower)		
Course Material	<u>-</u>	<u>12033</u>

4. SUNDRY DEBTORS

Over six months		
Secured - considered good	-	-
Unsecured - considered good	-	-
- considered doubtful	663510	663510
Other debts		
Secured - considered good	-	-
Unsecured - considered good	-	-
- considered doubtful	<u>663510</u>	<u>663510</u>
Less: Provision for doubtful debts	<u>663510</u>	<u>663510</u>
	<u>-</u>	<u>-</u>

5. CASH AND BANK BALANCES

Cash and Cheques-In-hand	1	1
Balance with Scheduled Banks	<u>15032</u>	<u>13859</u>
	<u>15033</u>	<u>13860</u>

6. LOANS AND ADVANCES

Considered good		
Advances recoverable in cash or for value to be received.	24079	24079
Other Deposits	1800	1800
Considered Doubtful		
Advances recoverable in cash or for value to be received.	<u>210763</u>	<u>210763</u>
	<u>236642</u>	<u>236642</u>
Less : Provision for Doubtful Advance	<u>210763</u>	<u>210763</u>
	<u>25879</u>	<u>25879</u>

7. CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors	188409	239459
Other Creditors - GKW	534115	458451
Advance Franchisee Fees	107320	107320
Other Expenses	988476	999436
Sylvan-Prometric Test Fees	44169	44169
Advance Course Fees	<u>92866</u>	<u>92866</u>
	<u>1955355</u>	<u>1941701</u>

	2005-06 Rs.	2004-05 Rs.
8. OPERATING COSTS		
Staff Welfare Expenses	-	345
Audit Fees	6734	6612
Bank Charges	1187	3030
Rates & Taxes	3960	6810
Provision for stock obsolescence	12033	57914
Miscellaneous Expenses (filing fees, License fees & others)	600	1775
	<u>24514</u>	<u>76486</u>
9. OTHER CHARGES		
Provision for Doubtful Advances	-	12705
	<u>-</u>	<u>12705</u>

**NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

Schedule - 10

1. SIGNIFICANT ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION AND REVENUE RECOGNITION

These Accounts are prepared under the historical cost convention. Both income and expenditure items are recognised on accrual and prudent basis.

Course fees received is accounted on prorata basis depending upon the duration of the course.

Franchisee Registration fees is recognised at the time of signing of MOU with Franchise.

Preliminary Expenses are being amortised in five equal instalments.

(b) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost.

Depreciation on fixed assets are being recognised on Straight line method at rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956

(c) FOREIGN CURRENCY TRANSACTIONS

Foreign Currency balances at the year-end are translated at the appropriate forward contract or year-end rates.

(d) TERMINAL EMPLOYEE BENEFITS

Gratuity payable to the employees will be provided in the accounts on the basis of the Payment of Gratuity Act, 1972 ,accrued leave liability will be provided on the basis of management estimate.

(e) ACCOUNTING FOR TAXATION

Provision for Current Income Tax is made on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences which are capable of reversal in one or more subsequent years is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognisable unless there is sufficient assurance with respect to the future taxable income.

	2005-06 Rs.	2004-05 Rs.
2. CAPITAL EXPENDITURE COMMITMENTS		
Estimated outstanding commitments for capital expenditure (Net).	NIL	NIL
3. CONTINGENT LIABILITY	NIL	NIL
4. PAYMENT TO AUDITORS		
As auditors of the Company	6734	6612
	<u>6734</u>	<u>6612</u>
5. MISCELLANEOUS INCOME		
Liability no longer required written back	-	3247
	<u>-</u>	<u>3247</u>
6. LIST OF SMALL SCALE INDUSTRIAL UNDERTAKINGS TO WHOM COMPANY OWES A SUM EXCEEDING RS 100 THOUSANDS, WHICH IS OUTSTANDING FOR MORE THAN 30 DAYS.		
There is no such party.		

GKW INFOSYSTEMS LIMITED

	2005-06	2004-05
7. CLAUSE 4-C OF PART II OF SCHEDULE VI IS NOT APPLICABLE TO THE COMPANY	Rs	Rs
8. VALUE OF IMPORTS ON CIF BASIS.	NIL	NIL
9. EXPENDITURE IN FOREIGN CURRENCY	NIL	NIL
10. GENERAL		

(a) The Company's training and other activities continue to be on hold during the year. However, a workable business plan for the Company is being finalised for obtaining financial support from the parent Company. Accordingly, the accounts have been prepared on a going concern basis.

(b) In view of the accumulated losses brought forward from earlier years, the provision for current taxation as well as deferred tax assets or liability in terms of AS-22 (Accounting for Taxes on Income) issued by The Institute of Chartered Accountants of India have not been recognised since there is no sufficient assurance with respect to reversal in future years.

(c) Regarding Related party disclosures as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India, we give below the following details.

Name of the related party	Nature of Relationship	Nature of Transaction	Transaction for the year		Rs. Debit/(Credit) outstanding balance as on	
			2005-06	2004-05	31.03.06	31.03.05
GKW (Overseas Trading) Limited	Holding Company	Rendering of Services	Nil	Nil	Nil	Nil
GKW Limited	Holding Company of GKW(Overseas Trading) Limited	Receiving of Services	75664	53900	(534115)	(458451)

INFORMATION PURSUANT TO PART IV OF THE COMPANIES ACT, 1956

11 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	27207	State Code	21
Balance Sheet Date	31 03 2006		
	Date Month Year		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rupees)

Rights Issue	Nil		
Bonus Issue	Nil	Private Placement	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rupees)

Total Liabilities	2455355	Total Assets	2455355
SOURCES OF FUNDS			
Paid-up Capital	500000	Reserves & Surplus	Nil
Secured Loans	Nil	Unsecured Loans	Nil

APPLICATION OF FUNDS

Net Fixed Assets	12266	Investments	Nil
Net Current Assets	(1914443)	Misc. Expenditure	Nil
Accumulated Losses	(2402177)		

IV. PERFORMANCE OF THE COMPANY (Amount in Rupees)

Total Income	-	Total Expenditure	37596
Profit/(Loss) before Tax	(37596)	Profit/(Loss) after Tax	(37596)
Earnings per Share	-	Dividend Rate %	Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

(as per monetary terms)	
Product Description	Education
	Corporate Training
	Software Development

Signature to Schedules 1 to 10 forming part of Balance Sheet and Profit and Loss Account.

On behalf of the Board

Kolkata
28th June, 2006

A.Bhattacharya M.K.Mallik
Director Director

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF GKW LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GKW LIMITED AND ITS SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of GKW Limited ("the Company") and its subsidiary Companies as at 31st March,2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement 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.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respect, in accordance with an identified financial reporting framework and are free of material misstatements. 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 the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We have not audited the financial statement of the subsidiaries of the Company, whose financial statements reflect total assets of Rs.1081439 as at 31st March 2006 and the total revenues of Rs.101486 for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the said subsidiaries, is based solely on the reports of the other auditors.
4. We report that **subject to Note11(f) of Schedule 18 regarding non inclusion of GKW Cement Limited for the purpose of consolidation**, the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of GKW Limited and its subsidiaries included in the consolidated financial statements.
5. We further report that:
 - (a) **As indicated in Note 11(e) of Schedule 18 operation at certain divisions of the Company was under suspension. Due to this certain details, records and documents in respect of these divisions were therefore not available for our verification. Accordingly, status of the various assets (including realizable value thereof), liabilities and contingent liabilities pertaining to these divisions and their impact on the accounts are presently not ascertainable.**
 - (b) **As indicated in Note 11 (h) of Schedule 18, net recoverable value of the fixed assets has been measured by an independent valuer for the purpose of determination of impairment in the value of fixed assets which had been relied upon and has not been verified by us.**
 - (c) **We further report that, without considering Para a and b whose impact on the profit for the year and the year end net worth has not been ascertained and cannot be commented upon by us.**
6. **Subject to paragraph 5 above and non consolidation of a subsidiary Company, GKW Cement Limited as indicated in Note 11(f) of Schedule 18 (impact on consolidated accounts not ascertained)**, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of GKW Limited and its subsidiaries, we are of the opinion that, the Consolidated Balance Sheet, Profit and Loss Account and Cash flow statement give a true and fair view of the consolidated state of affairs of GKW Limited and its Subsidiaries as at 31st March 2006, consolidated results of their operations and their consolidated cash flows for the year then ended in conformity with the accounting principles generally accepted in India.

Kolkata,
29th June 2006

Aditya Saraogi
Partner
Membership No. 54643
for Lodha & Co.
Chartered Accountants

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Schedule	2005/2006	Rs.Lakhs 2004/2005
SOURCE OF FUNDS			
Shareholders' fund			
Share capital	1	8416.50	3116.50
Reserves and surplus	2	11871.64	6143.46
		20288.14	9259.96
Loan funds			
Secured loans	3	3422.08	13796.84
Deferred tax liability (Note 7)		276.40	582.82
Total		23986.62	23639.62
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		24551.87	24876.19
Less : depreciation		15227.15	14675.72
Net block		9324.72	10200.47
Capital work in progress		-	7.02
		9324.72	10207.49
Investments	5	3.58	3.38
Current assets, loans and advances			
Inventories	6	3786.28	3078.34
Sundry debtors	7	1372.68	970.08
Cash and bank balances	8	878.49	228.33
Loans and advances	9	1016.61	1015.24
Other current assets	10	0.53	0.52
		7054.59	5292.51
Less:Current liabilities and provisions			
Liabilities	11	7619.56	9303.84
Provisions	12	71.06	68.25
		7690.62	9372.09
Net current assets		(636.03)	(4079.58)
Profit and Loss Account		15294.35	17508.33
Total		23986.62	23639.62
Notes on accounts	18		

On behalf of the Board

As per our Report annexed

J D Curravala
Managing Director

G Srinivasan
Director

J N Ghosh
Secretary

Kolkata,
29th June 2006

Aditya Saraogi
Partner
for and on behalf of
LODHA & CO.
Chartered Accountants

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

	Schedule	2005/2006	Rs.Lakhs 2004/2005
INCOME			
Sales (Gross)		13018.72	8262.74
Less: Excise duty		<u>1427.82</u>	<u>715.80</u>
Net sales		11590.90	7546.94
Other sources	13	<u>127.75</u>	<u>159.96</u>
		<u>11718.65</u>	<u>7706.90</u>
EXPENDITURE AND CHARGES			
Operating Costs	14	10897.70	7680.84
Depreciation	15	846.09	869.69
Interest	16	537.14	1820.00
Others	17	<u>29.34</u>	<u>27.66</u>
		<u>12310.27</u>	<u>10398.19</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		(591.62)	(2691.29)
Exceptional items pursuant to BIFR Scheme (net) (Note 6)		<u>2494.93</u>	<u>-</u>
PROFIT/(LOSS) BEFORE TAX		1903.31	(2691.29)
Provision for current taxation (wealth tax)		(0.64)	(0.58)
Provision for Fringe Benefit Tax		(16.93)	-
Provision for deferred tax		<u>306.42</u>	<u>332.58</u>
PROFIT/(LOSS) AFTER TAX		2192.16	(2359.29)
Transfer from property revaluation reserve		21.82	21.82
Balance brought forward from earlier year		<u>(17508.33)</u>	<u>(15170.86)</u>
Balance of Profit and Loss account		<u>(15294.35)</u>	<u>(17508.33)</u>
Basic and diluted earnings per share (Rs.) (Note 9)		3.63	(8.03)
Notes on accounts	18		

On behalf of the Board

As per our Report annexed

J D Curravala
Managing Director

G Srinivasan
Director

J N Ghosh
Secretary

Aditya Saraogi
Partner
for and on behalf of
LODHA & CO.
Chartered Accountants

Kolkata,
29th June 2006

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Rs. Lakhs	
	2005/2006	2004/2005
1. SHARE CAPITAL		
Authorised		
25000000 Cumulative redeemable preference shares of Rs.10/- each	2500.00	2500.00
59665008 (2004/2005 - 55000000) Ordinary shares of Rs.10/- each	5966.50	5500.00
	<u>8466.50</u>	<u>8000.00</u>
Issued and subscribed		
1500000 (2004/2005 - 1500000) 16% (Taxable) Cumulative redeemable preference shares of Rs.10/- each redeemable at par in three annual equal instalments commenced from 25th March, 2001.	150.00	150.00
23000000 10% Non-convertible redeemable preference shares of Rs.10/- each fully paid up at a premium of Rs 25/- (Note 11(b))	2300.00	-
36696526 Ordinary shares of Rs.10/- each fully paid up at par (2004/2005 - 6696526) in cash. (Note 11(b))	3669.65	669.65
6597499 Ordinary shares for consideration other than cash pursuant to contracts/scheme of arrangements.	659.75	659.75
16370983 as bonus shares by way of capitalisation of reserves and share premium.	1637.10	1637.10
	<u>8416.50</u>	<u>3116.50</u>
2. RESERVES AND SURPLUS		
Capital		
Property revaluation		
As at 31st March 2005	1370.81	
Less : Transfer to profit and loss account	<u>21.82</u>	
Others		
Capital Reserve on consolidation	677.55	677.55
Debenture redemption	1.29	1.29
Share Premium (note 11(b))	250.00	250.00
Preference shares redemption	5750.00	-
General *	150.00	150.00
	<u>3693.81</u>	<u>3693.81</u>
	<u>11871.64</u>	<u>6143.46</u>
*		
Represents amount arising on amalgamation of erstwhile Powmex Steels Limited with the Company with effect from 1.10.95.		
3. SECURED LOANS		
19% Non-convertible debentures - 1998/2000 (Privately placed with Unit Trust of India and Army Group Insurance Fund)	331.33	331.33
Interest accrued and due thereon	170.00	170.00
Redeemable in three equal annual instalments commenced on 26th/27th February, 1998. Premium of 5% of the face value payable along with second instalment due on 26th/27th February, 1999.		
The debentures are secured by -		
i) an equitable mortgage of the Company's immovable properties both present and future (excluding those at Bangalore, residential properties at Mumbai/ Kolkata and assets relating to erstwhile Engineering & Forgings division).		
ii) a first charge by way of hypothecation of all the movable properties of the Company both present and future (except book debts, movable assets at Bangalore and assets purchased under IDBI Scheme). The charge by way of hypothecation of stocks is subject to prior charge on stocks in favour of Company's bankers.		
Corporate Rupee Term Loan from ICICI Bank Ltd.	285.00	
Secured by a charge on a portion of land at Bangalore and guaranteed by a promoter group company.		

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Rs. Lakhs	
	2005/2006	2004/2005
3. SECURED LOANS (Contd.)		
Powmex Steels Division		
Term Loan from Banks	520.67	
FITL - Term Loan from Banks	699.91	
Interest accrued and due thereon	<u>28.01</u>	1309.47
(i) Secured/to be secured by joint equitable mortgage by deposit of title deeds relating to all immovable properties both present and future of Powmex Steels Division, and		
(ii) Secured/to be secured by a first charge by way of hypothecation on all the movable properties including machinery, spares, tools and accessories both present and future of Powmex Steels Division (save and except book debts) subject to the charge created/to be created in favour of bankers of Powmex Steels Division on specified movable assets for working capital requirements of Powmex Steels Division.		
The aforesaid charge and mortgage shall rank pari passu with the charge created on immovable and movable properties of Powmex Steels Division in respect of term loans from financial institutions of Powmex Steels Division.	-	5248.21
Cash Credit	-	5397.10
Interest accrued and due thereon		
Secured by hypothecation of stocks, book debts etc. and first charge on immovable properties at Bangalore and Engineering & Forgings Division at Howrah and second charge on immovable fixed assets of the Company (except Currie Road Works at Howrah, part of industrial properties at Bhandup and Powmex Steels Division) and movable fixed assets at Howrah (except Engineering & Forgings Division and Wheels Division) which are having first charge in favour of 19% debenture holders.		
The above charges have been discharged on full and final settlement of bankers' dues.		
Powmex Steels Division	1091.24	1092.27
Cash credit	273.56	-
FITL - Working Capital	22.36	248.46
Interest accrued and due thereon		
Secured/to be secured by hypothecation of stocks, book debts etc. and second charge on fixed assets of Powmex Steels Division.	<u>3422.08</u>	<u>13796.84</u>

4. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31st March 2005	Withdrawal s/ Addition	As at 31st March 2006	As at 31st March 2005	For the Year	Withdrawal s/ Adjustment	As at 31st March 2006	As at 31st March 2006	As at 31st March 2005
Land	856.47	-	856.47	7.58	0.25	-	7.83	848.64	848.89
Buildings	4141.94	7.02	4148.96	1932.63	93.95	-	2026.58	2122.38	2209.31
Railway Siding	8.98	-	8.98	8.92	0.01	-	8.93	0.05	0.06
Plant & Machinery	19534.93	6.89	19203.55	12453.51	742.00	294.67	12900.85	6302.70	7081.42
Cars & Vehicles	180.20	-	180.20	166.53	5.43	-	171.96	8.24	13.67
Furniture & Fittings	153.67	0.04	153.71	106.55	4.44	-	111.00	42.71	47.12
	<u>24876.19</u>	<u>13.95</u>	<u>24551.87</u>	<u>14675.72</u>	<u>846.08</u>	<u>294.67</u>	<u>15227.15</u>	<u>9324.72</u>	<u>10200.47</u>
Capital Work-in-progress								-	7.02
Per balance sheet 31st March,2006								<u>9324.72</u>	<u>10207.49</u>
Previous Year	<u>24870.31</u>	<u>5.88</u>	<u>- 24876.19</u>	<u>13806.03</u>	<u>869.69</u>	<u>-</u>	<u>14675.72</u>	<u>10200.47</u>	<u>11064.28</u>

Land includes development expenditure and leasehold interest (net) of Rs.8.61 lakhs (2004/2005-Rs.8.86 lakhs) and Rs.1.50 lakhs acquired from State Government of Orissa in respect of which registration is pending.

Certain Land and Building of the Company were revalued based on current replacement cost by approved valuer in 1981 and the resultant increase of Rs. 1451.58 lakhs in the net book value was transferred to Revaluation Reserve. of which Rs.102.59 lakhs has been adjusted till 31.03.2006 leaving a balance of Rs.1348.99 lakhs as on 31.03.2006.

GKW LIMITED– CONSOLIDATED FINANCIAL STATEMENTS
**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006**

	2005/2006	Rs Lakhs	2004/2005
5. INVESTMENTS			
Quoted			
<i>Trade</i>			
Industrial Development Bank of India - 10720 shares of Rs.10/- each- fully paid at cost	8.71		
Less : Provided earlier	<u>6.51</u>		
	2.20		2.20
<i>Others</i>			
Government securities - at cost 5.3/4 % Loan 2002		0.32	0.32
Unquoted			
<i>Trade</i>			
The Bengal Chamber of Commerce and Industry - 6.1/2% non-redeemable registered debentures - fully paid, at cost	0.09		
Less : written off earlier	<u>0.09</u>	-	-
Woodlands Hospital & Medical Research Centre Limited - (formerly The East India Clinic Limited) 5% non-redeemable registered debentures - fully paid, at cost	0.23		
Less: written off earlier	<u>0.23</u>	-	-
Employees' Consumers' Co-operative Societies - 500 shares of Rs.10/- each-fully paid, at cost	0.05		
Less: written off earlier	<u>0.05</u>	-	-
Shares in subsidiary companies GKW (Overseas Trading) Limited - 50000 ordinary shares of Rs.10/- each- fully paid, at cost		-	-
GKW Cement Limited 1201200 equity shares of Re.10/- each- fully paid, at cost	120.12		
Less : Provided earlier	<u>(120.12)</u>	-	-
<i>Others</i>			
Government securities - at cost 7 Year National Savings Certificates (deposited with Government authorities)		1.06	0.86
		<u>3.58</u>	<u>3.38</u>
The aggregate book value of quoted investments	2.52		2.52
Market value of quoted investments	8.63		10.02
All Investments are long term Investments			
6. INVENTORIES			
At or under cost (being cost or net realisable value whichever is lower)			
Raw materials	1768.37		1308.22
Work in progress (including scrap)	1219.00		856.36
Finished products	472.10		583.69
Stores and spare parts	304.91		296.05
Loose tools	21.90		34.02
	<u>3786.28</u>		<u>3078.34</u>

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006**

	Rs. Lakhs	
	2005/2006	2004/2005
7. SUNDRY DEBTORS		
Over six months		
Secured - considered good	0.74	1.36
Unsecured - considered good	73.41	17.70
- considered doubtful	158.00	157.23
Other debts		
Secured - considered good	1.10	0.59
Unsecured - considered good	<u>1297.43</u>	<u>950.43</u>
	<u>1530.68</u>	1127.31
Less : Provision for doubtful debts	<u>158.00</u>	<u>157.23</u>
	<u><u>1372.68</u></u>	<u><u>970.08</u></u>
8. CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	17.92	19.49
Balances with scheduled banks -		
Current accounts	697.31	52.52
Deposit accounts		
-- Margin Money (under lien)	159.91	153.10
-- Other deposits	3.35	3.22
	<u>878.49</u>	<u>228.33</u>
9. LOANS AND ADVANCES - Unsecured		
Considered good		
Advances recoverable in cash or for value to be received	706.85	747.28
Balance with Port Trusts, Customs etc.	144.58	103.68
Other deposits	164.03	163.13
Deposits from customers including Government securities at par (contra included in sundry creditors)	1.15	1.15
Considered doubtful		
Amount recoverable from GKW Cement Limited	77.85	72.32
Advances recoverable in cash or for value to be received	374.33	351.57
	<u>1468.79</u>	<u>1439.13</u>
Less: Provision for doubtful advances	<u>452.18</u>	<u>423.89</u>
	<u><u>1016.61</u></u>	<u><u>1015.24</u></u>
10. OTHER CURRENT ASSETS		
Interest accrued on investments etc.	<u>0.53</u>	<u>0.52</u>
11. LIABILITIES		
Sundry creditors	7608.38	9292.69
Liability under sales tax deferral scheme	5.21	5.21
GKW(Overseas Trading) Limited, GKW Infosystems Limited (Subsidiary Companies)	4.94	4.09
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act,1956 not due		
- Urclaimed fixed deposits	1.03	1.85
	<u>7619.56</u>	<u>9303.84</u>
12. PROVISIONS		
Taxation less payments	<u>71.06</u>	<u>68.25</u>

GKW LIMITED– CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT
AS AT 31ST MARCH, 2006**

	Rs. Lakhs	
	2005/2006	2004/2005
13. INCOME FROM OTHER SOURCES		
Dividend from long term investments - before deduction of income tax	0.09	0.42
Interest on bank deposits - before deduction of income tax		
Rs.1.30 lakhs, (2004/2005 - Rs.2.65 lakhs)	7.09	10.28
Other interest - before deduction of income tax		
Rs. 0.49 lakhs, (2004/2005 - Rs.0.48 lakhs)	8.93	2.19
Net profit/loss on disposal / scrap on fixed assets	(43.60)	-
Net profit/(loss) on sale of long term investments	-	11.08
Miscellaneous income (Note 5)	155.24	135.99
	<u>127.75</u>	<u>159.96</u>
14. OPERATING COSTS		
Raw materials consumed	6978.85	3678.61
Stores consumed	417.22	428.87
Power and fuel	950.09	890.07
Repairs and maintenance - Plant and machinery	141.47	125.68
Repairs and maintenance - Buildings and estate	12.38	25.51
Repairs and maintenance - Cars and vehicles etc.	38.36	46.49
Salaries, wages and bonus	990.44	1049.45
Contribution to provident and other funds	170.95	217.83
Workmen and staff welfare expenses (including Employees' State Insurance premium etc.)	145.99	156.23
Remuneration of Directors	39.29	29.21
Insurance	41.48	40.46
Rent	40.69	25.42
Rates and taxes	66.65	67.87
Printing and stationery	26.84	25.60
Postage, telephone & telex	29.46	32.62
Data processing expenses	11.37	8.78
Travelling expenses	48.54	40.42
Registrars' fees and expenses	1.99	1.92
Bank charges	27.84	16.73
Advertisement expenses	8.17	5.31
Freight, packing and delivery charges	173.70	166.91
Outside processing charges for products	130.57	175.83
(Increase)/Decrease in stocks of finished products and work-in-progress (Note 4)	(250.92)	(150.54)
Miscellaneous expenses	656.28	575.56
	<u>10897.70</u>	<u>7680.84</u>
15. DEPRECIATION		
On fixed assets	<u>846.09</u>	<u>869.69</u>
16. INTEREST		
Bank borrowings	110.14	1429.39
Term loans	141.41	215.94
Others	285.59	174.67
	<u>537.14</u>	<u>1820.00</u>
17. OTHER CHARGES/(INCOME)		
Provision for doubtful debts and advances - (net)	30.15	27.66
Bad and Doubtful debts and advances written off	(0.81)	-
	<u>29.34</u>	<u>27.66</u>

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2006

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03. 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2006.

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES AND PROCEDURES OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard - 21 on "Consolidated Financial Statements " issued by The Institute of Chartered Accountants of India. Certain significant policies and procedures for consolidation as followed in terms of the said Accounting Standards are as follows:

- (i) The Financial Statement of the Company and its subsidiaries have been combined on line by line basis by adding together book values of like items of assets and liabilities, income and and expenditure. The impact of inter-company transactions and inter-group balances have been eliminated.
- (ii) The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions in accordance with the generally accepted accounting principles.
- (iii) Differential with respect to the cost of the investments in the subsidiary companies over the parent's portion of the equity is recognised in the consolidated financial statement as goodwill or capital reserve, as the case may be.

(b) ACCOUNTING CONVENTION & REVENUE RECOGNITION

- (i) These accounts are prepared on the basis of historical cost (except in the case of revaluation of certain assets). Both income and expenditure items are recognised on accrual basis. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

Course fees received is accounted on prorata basis depending upon the duration of the course.

Franchisee Registration fees is recognised at the time of signing of MOU with Franchisee.

Preliminary Expenses are being amortised in five equal instalments.

- (ii) **PROVISIONS, CONTINGENCIES AND CONTINGENT ASSETS**

Liabilities which can be measured only by using a substantial degree of estimation and in respect of which a reliable estimate can be made of the probable outflow of resources are recognised as provisions.

Contingent liabilities in the nature of possible obligations that arise from past events and the existence of which will be confirmed only by the occurrence or otherwise of future events not wholly within the control of the Company and in respect of present obligation arising from past events for which a reliable estimate of the possible future outflow cannot be made are disclosed by way of Notes to Accounts.

Contingent Assets are neither recognised nor disclosed in the Financial statement.

- (iii) **USE OF ESTIMATES**

The preparation of financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities and assets as at the Balance Sheet date and the reported amounts of income and expenses during the year. Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognised in the year in which the results are known / materialised.

(c) FIXED ASSETS, DEPRECIATION AND IMPAIRMENT

- (i) Fixed assets are stated at cost except in the case of certain items of land, buildings, railway sidings and plant & machinery which are stated on the basis of their revaluations, being inclusive of resultant write ups.
- (ii) Capital work-in-progress is stated at cost incurred during pre-operative/installation period and includes materials in transit and advances to suppliers.
- (iii) Depreciation on fixed assets items are being recognised on - Straight Line/Written Down Value Method at rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956- or at rates indicated below on Straight Line Method

Land - Leasehold	3.33/1.66/0.10
Buildings	3.33/2.00/1.50
Plant & Machinery - Steel Rolling Mill	3.33/8.09

Depreciation is provided on the basis of month of capitalisation. Items of plant and machinery individually valued upto Rs 5000 are fully depreciated in the books of account in the year in which they are put to use.

- (iv) The amounts at which fixed assets are carried in the Company's books are reviewed at the Balance Sheet date for any indication of impairment. In case of impairment, an impairment loss is recognised when the carrying amount of assets belonging to a cash generating unit (CGU) or otherwise exceeds the recoverable amount of the assets i.e. the higher of assets' net selling price or its value in use. Subsequent reversal of such impairment loss if any, would be allocated to the respective assets, except in the case of a CGU where it would be allocated to all the assets on a pro-rata basis.

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2006

(d) INVESTMENTS

Investments are stated at cost less write downs where applicable.

(e) INVENTORIES

Year-end inventory items are valued at lower of cost and net realisable value. Cost of raw materials, stores, spares and components is computed on the basis of First In First Out or Weighted Average Pricing methods as appropriate. Cost in respect of Work-in-Progress represents cost incurred upto the stage of completion. Provisions for obsolescence are made based on technical estimation. Tools are stated on the basis of their cost and year-end values determined on the basis of physical evaluation by technical experts having regard to their effective future life.

(f) FOREIGN CURRENCY TRANSACTIONS

- a) Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of such transaction.
- b) Receivables/payables in foreign currencies are translated at the appropriate forward contract rate, or, if not covered, at the exchange rate ruling at the balance sheet date. The gain / loss arising on account of such translation, as also on the exchange differences on settlement of the foreign currency transactions during the year are recognised as income or expense and are reflected in the profit and loss account under respective heads of account.

(g) TERMINAL EMPLOYEE BENEFITS

Gratuity - year-end liabilities on account of gratuity payable to employee are determined on the basis of actuarial valuation with appropriate contributions to the Company's Gratuity Fund.

Pension - annual contribution in respect of eligible employees are recognised as revenue charge with appropriate contributions.

Leave encashment - accrued year-end leave encashment benefits are determined on the basis of actuarial valuation and provided in the accounts.

In case of GKW Infosystems Ltd, Gratuity payable to employees will be provided in the accounts on the basis of the Payment of Gratuity Act, 1972. Accrued leave liability will be provided on the basis of management estimate.

(h) BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for use. All other borrowing costs are charged to revenue.

(i) SALES

Sales (net of credit notes) are recognised on accrual basis in keeping with applicable trade practice.

(j) TAXES ON INCOME

Provision for Current Income Tax is made on the taxable income using the applicable tax rates and tax laws. Deferred tax assets or liabilities arising on account of timing differences, which are capable of reversal in one or more subsequent years is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is sufficient assurance with respect to reversal thereof in future years.

	Rs. Lakhs	
	2005/2006	2004/2005
(2) CONTINGENT LIABILITIES		

In respect of :

Bills discounted	-	66.84
Dividend on cumulative redeemable preference shares	216.00	192.00
Income Tax under Appeal (approx)	155.88	131.69
Excise duty under Appeal (approx)	92.05	118.31
Disputed sales Tax under Appeal (approx)	887.07	764.30

- Company's appeals against various sales tax assessments including best judgement for the year 1984 are pending before appropriate authorities. The nature of above contingent liabilities are being reviewed by the management. Consequential adjustments in this respect will be made as and when ascertained.

Corporate guarantee given in favour of IFCI Ltd in respect of term loans of Rs. 3726 Lakhs (2004-05 Rs. 3726 Lakhs) for GKW Cement Ltd has been subsequently assigned to the extent of Rs 2500 Lakhs to a Promoter Group Company vide agreement for assignment dated 10/04/06 in connection with full and final settlement of dues of IFCI Ltd.

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
AS AT 31ST MARCH, 2006**

(3) TERMINAL EMPLOYEE BENEFITS

The gratuity liability of Rs 1059.73 Lakhs as per actuarial valuation as on 31.3.2006 has been fully provided in the accounts. However Rs.1025.80 Lakhs is yet to be funded in Gratuity fund. Accrued leave encashment benefits as at 31st March, 2006 amounted to Rs. 105.89 Lakhs which has been fully provided in the accounts.

(4) (INCREASE)/DECREASE IN FINISHED AND WORK-IN-PROGRESS STOCKS

	Rs. Lakhs	
	2005/2006	2004/2005
Opening stocks		
Finished products	583.69	485.64
Work-in-progress	856.36	804.78
Adjustments	0.13	(0.91)
	<u>1440.18</u>	<u>1289.51</u>
Closing stocks		
Finished products	472.10	583.69
Work-in-progress	1219.00	856.36
	<u>1691.10</u>	<u>1440.05</u>
(Increase)/Decrease	<u>(250.92)</u>	<u>(150.54)</u>

(5) MISCELLANEOUS INCOME

Includes foreign exchange gain of Rs 3.03 Lakhs (2004/2005 - Rs 9.51 Lakhs), liabilities no longer required Rs 29.77 Lakhs (2004/2005 - Rs 15.82 Lakhs) .

(6) EXCEPTIONAL ITEMS

Exceptional items arising mainly on account of implementation of the BIFR Sanctioned Scheme, comprise of the following adjustments on account of implementation of the scheme sanctioned by BIFR (Scheme) as referred in note 11(a)

- (i) Write back of interest (net) accounted for in earlier periods in excess of the interest payable as per the Scheme - Rs 4269.21 Lakhs .
- (ii) Charges on account of compensation and terminal benefits to workmen - Rs 1343.07 Lakhs .
- (iii) Expenses relating to shares etc. issued as per the Scheme - Rs 431.21 Lakhs .

- (7) (a)** In accordance with the Accounting Standard 22 for " Taxes on Income" issued by The Institute of Chartered Accountants of India, the Company has accounted for Deferred Taxation.
- (b)** The Company has substantial amount of brought forward business losses and unabsorbed depreciation and expenses to be allowed in income tax on payment thereof. However, as a matter of prudence, deferred tax assets have been recognised only to the extent of brought forward unabsorbed depreciation and credit of Rs 306.42 Lakhs pertaining to current year has been shown in Profit and Loss Account.

The Break-up of deferred tax assets and liabilities ;

	Opening Balance as on 31.03.05	Charge/(Credit)/ Adjustment for the year	Rs. Lakhs Closing Balance as on 31.03.06
Deferred Tax Assets			
-Unabsorbed depreciation	<u>1728.31</u>	<u>86.78</u>	<u>1815.09</u>
Deferred Tax Liabilities			
-Depreciation	<u>2311.13</u>	<u>(219.64)</u>	<u>2091.49</u>
Net Deferred Tax liability	<u>(582.82)</u>	<u>306.42</u>	<u>(276.40)</u>

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2006

- (8) "Related party Disclosures" as per Accounting Standard 18 of The Institute of Chartered Accountants of India, as ascertained from available information:

<u>Name of the related party</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	Value of Transaction for the year		Debit/(Credit) Balance outstanding as on	
			2005-06	2004-05	31.03.06	31.03.05
GKW Cement Ltd	Subsidiary Company	Advance given to meet establishment expenses	5.53	4.52	77.85	72.32
		Provision for doubtful advances	5.53	4.52	(77.85)	(72.32)
Mr. J. D. Curavala	Key Management Personnel	Remuneration	22.86	18.71	(5.48)	(6.89)
Mr. G. Srinivasan	-do-	Remuneration	18.67	10.87	(4.57)	(3.72)

- (9) The Earnings per share has been calculated on the basis of number of equity shares outstanding during the year ended 31st March, 2006 in accordance with the provisions of Accounting Standard 20 (Earnings per share) issued by The Institute of Chartered Accountants of India.

	Rs. Lakhs	
	<u>2005/06</u>	<u>2004/05</u>
Profit/(Loss) after tax	2192.16	(2359.29)
Less: Preference share dividend	(24.00)	(24.00)
Profit attributable to equity shareholders	2168.16	(2383.29)
No. of Shares	59665008	29665008
Earnings per Share (Rs)	3.63	(8.03)

- (10) The Disclosure requirement under "Segment Reporting" as per Accounting Standard 17 issued by The Institute of Chartered Accountants of India is given below:

	Rs. Lakhs	
	<u>12 months ended 31.03.2006</u>	<u>12 months ended 31.03.2005</u>
A PRIMARY SEGMENT (BUSINESS SEGMENT)		
1. Segment Revenue (net sales/income from each segment)		
Steel	11223.96	6398.80
Fasteners	1686.58	1594.26
Electricals	2.45	97.66
Auto Components	140.47	193.53
Others	5.37	-
Total	<u>13058.83</u>	<u>8284.25</u>
Less: Inter segment Revenue	(40.11)	(21.51)
Net Sales/Income from operation	<u>13018.72</u>	<u>8262.74</u>
2 Segment Results (Profit/Loss) before tax and interest from each segment		
Steel	560.07	(196.65)
Fasteners	97.00	(7.62)
Electricals	(599.43)	(585.74)
Auto Components	(77.60)	(65.62)
Others	(15.92)	(23.32)
Total	<u>(35.88)</u>	<u>(878.95)</u>
Less: Unallocated Corporate expenses (net of income)	(18.60)	7.66
	<u>(54.48)</u>	<u>(871.29)</u>
Less: (i) Interest	(537.14)	(1820.00)
(ii) Other unallocable expenditure net off unallocable income	2494.93	-
	<u>1903.31</u>	<u>(2691.29)</u>

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
AS AT 31ST MARCH, 2006**

3. Segment Assets and Liabilities	2005-06		2004-05	
	Assets	Liabilities	Assets	Liabilities
Steel	12070.05	3286.61	11589.59	2895.79
Fasteners	1217.35	1272.30	1299.52	1346.72
Electricals	957.53	1148.05	953.79	2815.28
Auto Components	1061.93	436.68	1203.12	1389.05
Others	1080.15	1466.59	461.27	846.19
Total	16387.01	7610.23	15507.29	9293.03
Unallocated Corporate assets and liabilities	(4.13)	9.41	(3.91)	10.81
	<u>16382.88</u>	<u>7619.64</u>	<u>15503.38</u>	<u>9303.84</u>

4. Capital Expenditure	Rs. Lakhs	
	12 months ended 31.03.2006	12 months ended 31.03.2005
Steel	12.82	1.48
Fasteners	-	0.87
Electricals	-	-
Auto Components	-	-
Others	1.13	3.53
Unallocated Corporate Expenditure	-	-
Total	<u>13.95</u>	<u>5.88</u>

5. Depreciation	Rs. Lakhs	
	12 months ended 31.03.2006	12 months ended 31.03.2005
Steel	695.21	699.89
Fasteners	24.04	24.76
Electricals	46.94	47.86
Auto Components	68.52	84.96
Others	1.83	1.83
Unallocated Corporate Depreciation	9.55	10.39
Total	<u>846.09</u>	<u>869.69</u>

6. Other Non-Cash Expenditure	Rs. Lakhs	
	12 months ended 31.03.2006	12 months ended 31.03.2005
Steel	23.62	26.36
Fasteners	-	(0.68)
Electricals	0.19	(2.00)
Auto Components	-	-
Others	-	0.13
Unallocated Corporate Expenditure	5.53	3.85
Total	<u>29.34</u>	<u>27.66</u>

B SECONDARY SEGMENT (GEOGRAPHICAL SEGMENT)

	Rs. Lakhs			
	12 months ended 31.03.06		12 months ended 31.03.05	
	Within India	Outside India	Within India	Outside India
1. Segment Revenue	10170.13	2848.59	6359.95	1902.79
2. Segment Assets	16053.86	329.02	15337.63	165.75
3. Capital Expenditure	13.95	-	5.88	-

Segment information:

- Segments have been identified in line with the Accounting Standard AS-17 taking into account the organisation structure as well as the differing risk and return.
- Company has disclosed Business Segment as the primary segment.

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2006

(c) Composition of business segment.

<u>Name of segment</u>	<u>Comprises of</u>
Steel	Hot Rolled Bars, Bright Steel bars, High Speed Steel, Alloy Steel
Fasteners	Bolt & Nuts, Woodscrews, machine screws, Self tapping screws, rivets, safety pins
Electricals	Stampings & Laminations, Magnetic strip, Wound cores
Auto components	Wheels, Mild Steel Pressed components
Others	Gears & Machinery, Special purpose machine tools, Services & Computer Training.

(d) Inter-segment revenues are recognised at Works/factory of the transferor unit/divisions or at sales price.

(e) The segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and administrative expenses allocated on a reasonable basis as estimated by the management.

(f) As part of secondary reporting revenues are attributed to geographic areas based on location of the customers.

11) GENERAL

(a) The Board for Industrial and Financial Reconstruction (BIFR) has sanctioned the Draft Rehabilitation Scheme (DRS) in terms of section 18(4) of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its Order dated 1st August, 2005 as amended on 5th October, 2005. Pursuant to the said Order, progress has been made during the year towards implementation of the sanctioned scheme as under :

- i) settlement of the dues of the Company's lenders (other than lenders for Powmex Steels Division (PSD) and debenture holders) and restructuring of accrued interest on term loans and bank overdraft for PSD .
- ii) settlement of dues of the employees of the Bangalore and Bhandup units of Sankey Electrical Stampings Division as also the dues of employees of Wheels Division , Durgapur as per the Memorandum of Understanding entered into with them.

During the year, the company has made cash profits from its operations. Consequent upon the infusion of funds and various settlements/ restructuring of borrowings, rationalization of workforce and settlement of their dues, further improvement in the profitability of the company can be expected. Further, in view of infusion of funds by the Promoter/ Company , the put option accepted by the promoters for redemption of preference shares and the steps being taken for implementation of the sanctioned scheme, including sale of properties, the accounts of the Company have been prepared on a going concern basis.

(b) Pursuant to the Order of BIFR dated 5th October, 2005, the Company has issued and allotted 30000000 equity shares of Rs 10/- each fully paid up at par to promoter group Companies and 23000000 10% non-convertible redeemable preference shares of Rs 10/- each fully paid up at a premium of Rs 25/- aggregating Rs 8050 Lakhs to ICICI Bank Ltd during the year repayable within one year at a premium of Rs. 28.90 per share with a put-call option provided by a promoter group Company to redeem the preference shares anytime during the currency of the said preference shares.

(c) The dues of 19% non-convertible debentures privately placed with Unit Trust of India and Army Group Insurance Fund have also been settled subsequent to the balance sheet date.

(d) The Company's training activities continue to be on hold during the year . However, a workable business plan for the Company is being finalized for obtaining financial support from the parent Company .

(e) Operation of the Company's Andul Road Works (ARW) at Howrah (comprising Steel, Bolt & Nut, Engineering & Machinery and ARW unit of Sankey Electrical Stampings Division) continue to remain suspended since 13th November, 2000.

In view of above, various assets, liabilities and contingent liabilities pertaining to ARW divisions have been carried forward at their book/disclosed values after making such adjustments as ascertainable and considered necessary and depreciation on fixed assets has been provided as per policy followed in this regard. Normal year-end exercise with respect to physical verification of fixed assets and inventories pertaining to ARW divisions could not be carried out.

(f) The accounts of GKW Cement Ltd has not been considered for consolidation, since the management has decided to hive off the Cement project and participating long-term lender has initiated the recovery proceedings including those taking possession of the assets for realising their dues.

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
AS AT 31ST MARCH, 2006**

(g) **SUBSIDIARY COMPANIES INCLUDED IN CONSOLIDATION**

Name	GKW (Overseas Trading) Limited & GKW Infosystems Limited
Country of Incorporation	India
Proportion of ownership interest	100% subsidiary

These accounts have been considered for the purpose of consolidation. However, there being no major activity, the impact on the accounts of the Consolidated Financial Statements is not material .

- (h) The impairment in value of Fixed Assets had been determined based on " Net Selling Price " on the basis of valuation made by the independent valuer in the previous year as there was no impairment of assets since previous balance sheet date .
- (i) The Order of BIFR dated 1st August, 2005 has been appealed against by Andul Road Works (ARW) workers before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) on 18th November, 2005 and the matter is pending adjudication. Pending final decision on the matter, implementation of BIFR package pertaining to ARW divisions has been stalled. As per the legal opinion received on the matter, the above appeal before AAIFR will not have any effect on the settlements made by the Company. Consequently, settlements/ restructuring/infusion of capital carried out in terms of the BIFR Orders dated 01/08/05 and 05/10/05 have been accounted for as stated in note 6 above.
- (j) Sundry debit and credit balances, inclusive of debtors , creditors , loans & advances, etc. are subject to confirmation and reconciliation . Consequential adjustments in this respect, if any, will be made as and when ascertained .
- (k) The parent company's petition to Hon'ble High Court at Calcutta pursuant to the Scheme of arrangement for demerger of ARW divisions at Howrah (comprising Steel , Bolt & Nut , Engineering and Machinery and ARW unit of Sankey Electrical Stampings division) and Wheels division at Durgapur , approval of which has been obtained at the Company's shareholders meetings convened on 21st September, 2000 is pending final orders from the said Court.
- (l) Previous years' figures have been rearranged and regrouped where necessary .

On behalf of the Board

As per our Report annexed

J. D. Curravala
Managing Director

G. Srinivasan
Director

J. N. Ghosh
Secretary

Kolkata
29th June, 2006

Aditya Saraogi
Partner
for and on behalf of
LODHA & CO
Chartered Accountants

GKW LIMITED- CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

	Rs. Lakhs	
	<u>For the year ended 31st March, 2006</u>	<u>For the year ended 31st March, 2005</u>
A. Cash flow from Operating Activities		
Net Profit/(Loss) before taxation and after exceptional items	1903.31	(2691.29)
Adjustments for:		
Depreciation - Fixed Assets	846.09	869.69
Exceptional items (net)	(2494.93)	-
Interest written back	-	(37.18)
Profit/ (Loss) on sale / scrapping of fixed assets	43.60	-
Profit on sale of investments	-	(11.08)
Foreign Exchange Loss (net)	31.47	-
Income on investment	(0.09)	(0.42)
Interest income	(16.02)	(12.47)
Interest expense	537.14	1820.00
	<u>(1052.74)</u>	<u>2628.54</u>
Operating Profit/(Loss) before Working Capital changes	850.57	(62.75)
Adjustments for:		
Trade & Other receivables	(403.97)	(11.75)
Inventories	(707.94)	(903.24)
Trade Payables	1348.68	1012.76
Cash generation from operation	<u>236.77</u>	<u>97.77</u>
Interest paid	-	(148.65)
-others	(277.71)	-
Direct taxes paid/refund	(17.57)	(0.59)
Cash flow before adjustments/exceptional items	<u>792.06</u>	<u>(114.22)</u>
Foreign Exchange Loss (net)	(31.47)	-
Exceptional items *	<u>(4309.20)</u>	<u>-</u>
Net Cash from operating activities	<u>(3548.61)</u>	<u>(114.22)</u>
B. Cash Flow from investing activities		
Purchase / Adjustment of fixed assets	(50.53)	(6.01)
Purchase of Investments	(0.20)	-
Sale of investments	-	12.15
Income on investment	0.09	0.42
Interest income	16.02	6.99
Net cash flow from investing activity	<u>(34.62)</u>	<u>13.55</u>

CONSOLIDATED CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

	Rs. Lakhs	
	<u>For the year ended 31st March, 2006</u>	<u>For the year ended 31st March, 2005</u>
C. Cash Flow from Financing activities		
Proceeds out of issue of shares (Equity & Preference)	5300.00	-
Share premium	5750.00	-
Loan from Bank	285.00	-
Repayment of borrowings & interest to Banks	(6475.34)	-
(Increase) / Decrease in overdraft from Bank	<u>(293.51)</u>	<u>(41.85)</u>
Net cash flow from financing activities	4566.15	(41.85)
Exceptional items **	<u>(332.76)</u>	<u> --</u>
Net increase in Cash and Cash equivalents (A+B+C)	650.16	(142.52)
Closing Cash and Cash Equivalents as on 01.04.05	<u>228.33</u>	<u>370.85</u>
Closing Cash and Cash Equivalents as on 31.03.06	<u><u>878.49</u></u>	<u><u>228.33</u></u>

Exceptional items comprise of :

- * compensation and terminal payment/provision pertaining to employees of certain division (net) - Rs 4132.03 Lakhs and write back of excess interest on overdraft & term loan of Powmex Steels division - Rs 177.17 Lakhs
- ** subscription and option fees and related expenses in connection with issue of shares - Rs 431.21 Lakhs as reduced by charge (net) for interest accrued & due on 19% Non-convertible debenture privately placed with UTI & AGI - Rs 98.45 Lakhs .

- Notes: 1. Figures in brackets represent cash outflow.
 2. Closing cash balance includes Margin Money (under lien) of Rs 159.91 Lakhs and Other deposits of Rs 3.35 Lakhs respectively .
 3. Previous year's figures have been regrouped/rearranged wherever necessary.

On behalf of the Board

J. D. Curravala
Managing Director

G. Srinivasan
Director

J. N. Ghosh
Secretary

Kolkata
 29th June, 2006

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

14. Government Place East
 Kolkata
 29th June, 2006

for LODHA & CO
Chartered Accountants
 Aditya Saraogi
Partner

NOTICE

Notice is hereby given that the 76th Annual General Meeting of the Members of GKW Limited will be held on Thursday 31st, August 2006 at 11.00 a.m. at Kala Kunj, 48 Shakespeare Sarani, Kolkata 700 017 to transact the following business:

AS ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Audited Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.L. Lahoti who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. N. K. Navalakha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and for that purpose to consider and, if thought fit, to pass with or without modification the following Resolution which will be proposed as an Ordinary Resolution provided that if on the date of the Annual General Meeting not less than 25% of the subscribed share capital of the Company is held by public financial institutions and nationalised banks, the Resolution will be proposed as a Special Resolution pursuant to Section 224A of the Companies Act, 1956:

"RESOLVED THAT Lodha & Co., Chartered Accountants of 14, Government Place East, Kolkata 700 069, be and they are hereby appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company plus out-of-pocket expenses as may be incurred by them in connection with the audit and that such remuneration be paid to them in four equal quarterly instalments".

Registered Office:

3A Shakespeare Sarani
Kolkata 700 071

Dated: 29th June, 2006

By Order of the Board

J. N. Ghosh

Company Secretary

NOTES:

- i) The Register of Members and Share Transfer Books will remain closed from 17th August, 2006 to 31st August, 2006, both days inclusive.
 - ii) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
 - iii) Members are requested to notify any change in their addresses to the Company's Registrars and Share Transfer Agents, C.B. Management Services Private Limited, P-22, Bondel Road, Kolkata 700 019.
 - iv) **Pursuant to Section 205A(5) of the Companies Act, 1956 as amended from the 31st October 1998, the dividend pertaining to the financial year ended 31st March, 1997 and remaining unclaimed for a period of seven years from the date of the transfer in accordance with Section 205A(1) of the Companies Act, 1956 have been transferred to the Investor Education and Protection Fund of the Central Government. According to the provisions of the Act, no claims shall lie against the said fund or the Company nor shall any payment be made in respect of such claims.**
 - v) Members who have multi-accounts in identical name and address or in joint names in the same order are requested to intimate the Company the ledger folios of such accounts for consolidating their shareholding into one account.
-

vi) MEMBERS WHO WERE SHAREHOLDERS OF ERSTWHILE POWMEX STEELS LIMITED (POWMEX) AND WHO HAVE NOT TILL DATE EXCHANGED THEIR SHARE CERTIFICATES OF POWMEX WITH SHARE CERTIFICATES OF GKW LIMITED ARE ONCE AGAIN REQUESTED TO KINDLY SEND THE SHARE CERTIFICATE OF POWMEX TOGETHER WITH A FORWARDING LETTER SIGNED BY THE JOINT HOLDER(S), IF ANY, BY REGISTERED POST TO:-

**C.B. Management Services Private Limited,
P-22, Bondel Road,
Kolkata 700 019**

vii) Individuals holding shares singly or jointly with upto two persons may nominate another person to whom the shares shall vest in the event of the shareholders death. Form 2B has been prescribed for the purpose. Blank forms are available from the Company's Secretarial Department and the Registrar's office.

PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE RE-APPOINTED AT THE MEETING ARE GIVEN BELOW

Name of Director	Mr. M.L. Lahoti	Mr. N K. Navalakha
Age	71 years	63 years
Date of Appointment	26.09.2003	30.06.2004
Exposure in specific functional areas	Having wide experience in Corporate Management	Having wide experience in Corporate Management
Directorship held in Other companies (excluding foreign companies)	GKW (Overseas Trading) Limited	NIL
Member of Committee of Directors of other Companies	NIL	NIL
Shareholding in Company	NIL	NIL

GKW Limited

Registered Office : 3A Shakespeare Sarani, Kolkata 700 071

Please Complete the attendance slip and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the enclosed Annual Report.

ATTENDANCE SLIP

I hereby record my presence at the 76th Annual General Meeting of the Company held on 31st August, 2006.

REGD. FOLIO NO. : No. of Shares :

NAME OF THE SHAREHOLDER(S) (IN BLOCK CAPITALS)

SIGNATURE OF THE SHAREHOLDER OR PROXY

GKW Limited

Registered Office : 3A Shakespeare Sarani, Kolkata 700 071

REGD. FOLIO NO. : No. of Shares :

PROXY FORM

I/We _____

of _____

_____ being a member/members of GKW Limited,

hereby appoint _____ of _____

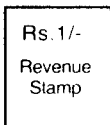
or failing him _____ of _____

or failing him _____ of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 76th Annual General Meeting of the Company to be held on 31st August, 2006 and at any adjournment thereof.

AS WITNESS my/our hand this _____ day of _____ 2006

Signed by the said _____



Note : The Proxy must be deposited at the Registered Office not less than 48 hours before the time for holding the Meeting.



GKW Limited