
REPORT AND ACCOUNTS 2006 – 2007



GKW Limited

MANAGING DIRECTOR
J D Curravala
WHOLETEIME 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 1st April, 2007.
- The results for the year under review are given below :

	Rs. Crores	
	<u>2006-2007</u>	<u>2005-2006</u>
Sales	130.06	130.19
Profit/(Loss) before interest and depreciation	14.48	7.90
Interest	<u>(5.45)</u>	<u>(5.37)</u>
Gross Profit/(Loss)	9.03	2.53
Depreciation	<u>(8.53)</u>	<u>(8.46)</u>
Profit/(Loss) before Tax	0.50	(5.93)
Taxation (Net)	<u>2.65</u>	<u>2.89</u>
Profit/(Loss) after taxation but before exceptional items	3.15	(3.04)
Exceptional items	-	24.95
Profit/(Loss) after taxation and Exceptional items	<u>3.15</u>	<u>21.91</u>

It can be observed from the above table, that yet again your Company improved its performance during the year ended 1st April, 2007 :

- Profit before interest and depreciation amounted to Rs.14.48 crores against profit of Rs.7.90 crores in the previous year.
 - Profit after tax (before exceptional items) amounted to Rs.3.15 crores during the year under review against a loss of Rs.3.04 crores during the previous year, mainly due to reduction in operating costs and increase in other income.
- 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 1st April, 2007.

FINANCE & ACCOUNTS

- Share Capital – in terms of BIFR Order dated 5th October 2005, the Company allotted 2,61,68,985 15% Cumulative Redeemable Preference shares at par aggregating to Rs.26,16,89,850 to Promoter/Promoter Group Companies.

The terms of issue of the 10% Redeemable Preference Shares were amended to enhance the tenure from one year to a ten year period. Other terms and conditions remaining unaltered.

- During the year under review the Company redeemed the privately placed 16% Redeemable Preference Shares in terms of the BIFR Order dated 1st August, 2005, and as indicated in last year's report, made a one time settlement with the holders of 19% convertible debentures in full and final settlement of their dues.
- Total borrowings as at 1st April, 2007 amounted to Rs.2544 lakhs (2005/06 Rs.3422 lakhs). The substantial reduction was on account of repayment of 19% debentures – Rs.501 lakhs, Rupee Term Loan Rs.285 lakhs and repayment of instalments of Term Loans to the bankers of Powmex Steels Division.
- Capital expenditure for the year amounted to Rs.3 lakhs (2005/06 Rs.7 lakhs) and value of assets put into use during the year amounted to Rs.3 lakhs (2005/06 Rs.14 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. 26(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 26(e) to the Accounts is self-explanatory.
- As regards reconciliation and confirmation of balances referred to in the Auditors' Report, Note no. 26(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. 10(f) to the consolidated Accounts is self-explanatory.

MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS

13. RESTRUCTURING

During the year under review, the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) passed an Order dated 8th December, 2006 endorsing the validity of the Sanctioned

Scheme and its implementation except in case of ARW units at Howrah, where BIFR has been directed to re-examine the viability of the said units.

The Sanctioned Scheme of BIFR for revival and rehabilitation of your Company as modified vide AAIFR Order referred to above, has been fully implemented.

Further, the promoter/promoter group companies have infused additional funding by subscribing to 15% Cumulative Redeemable Preference Shares amounting to Rs.2617 lakhs, (see para 4 above). These funds will be utilised in terms of the Sanctioned Scheme to further improve the financial position of the Company and make its net worth positive.

Having implemented the Sanctioned Scheme, and also having made the net worth positive, your Company can now look forward to sustainable progress in the future.

OPERATIONS

14. Your Directors are pleased to report that there has been a further improvement in the operations of the Company. The performance would have been even better, had Screws and Fasteners Division operated to its full potential.

Powmex Steels Division registered increase in turnover and maintained profitability despite rising input costs. In the domestic market, the division improved its market share, and retained its position as a quality supplier of high speed steel, despite attempts made by foreign suppliers to enter the Powmex range of products. However with the continuous reduction in customs duty on high speed steel, the potential for imported material to compete in the domestic market is increasing, and the division will have to concentrate on efficiency improvement and cost reduction as an on going exercise to retain its premier position in the domestic market.

The business strategy identified for this division is :

- expansion of the product range at both ends of the present size range
- substantially increasing its presence in the powder metallurgy segment for enhanced value addition
- leveraging exports to provide an opportunity for volume growth and higher capacity utilization.

With the availability of working capital, the division is now poised to take advantage of the trade off between price realizations in the export market and the benefits accruing from higher capacity utilization.

15. Screws and Fasteners Division reported a decrease in turnover and profits, mainly on account of lower productivity and rigid attitude adopted by the workforce during the later half of the year under review. Steps are being taken to restore normalcy and improve the working of this division at an early date. This division continues to face intense competition from the unorganised sector and hence, unless stringent cost control and productivity improvement measures are accepted by the workforce, it will continue to loose market share. Your Directors are ceased of this matter and all efforts are being directed towards reducing the impact of high employee cost on the one hand, and improving product mix for further market penetration on the other.

16. Metal Pressings Division at Pune showed an improvement in turnover due to the steady demand from the automobile sector. However margins were under pressure as price increase to offset input costs were hard to come by in the highly price sensitive end user automobile segment. In this scenario, your Company has taken several steps including workforce rationalization, the beneficial effects of which will be felt in the current year. In addition, efficiency improvement and cost control measures are under constant focus to further improve the working of this unit. Ultimately the business plan for this division must provide for sale of products utilizing raw material procured by the Company, instead of depending solely on customers' raw material for undertaking low margin conversion work.

17. Sankey Electrical Stampings Units at Bangalore and Bhandup, remained inoperative.

18. 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 Appellate Authority for Industrial & Financial Reconstruction (AAIFR) has vide its Order dated 8th December, 2006 directed the BIFR to re-examine the viability of the said units.

RISKS AND CONCERNS

19. 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

20. 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 judgement by the management.

HUMAN RESOURCES

21. 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 1646 as on 1st April, 2007.

OUTLOOK

22. Your Directors feel that in view of the financial and business restructuring of the Company already achieved, your Company is now poised for taking advantage of the current economic scenario and can look forward to a period of further consolidation and growth in the future.

EXPORTS

23. Products exported during the year amounted to Rs.2114 lakhs (2005/2006 Rs.2023 lakhs). Powmex Steels Division accounted for total exports.

24. Earnings in foreign exchange during the year amounted to Rs.840 lakhs (2005/2006 – Rs.1977 lakhs) and outgo was Rs.3119 lakhs (2005/2006 – Rs.3527 lakhs).

CONSERVATION OF ENERGY

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

- Consumption per unit of production has shown all round improvement with regard to melting, black bar, bright bar production and heat treatment, mainly on account of increased throughput.
- Consumption of high speed diesel/furnace oil per MT is higher for rolled products mainly due to change of product mix involving more flats, squares and thinner round bars compared to last year.

TECHNOLOGY AND RESEARCH & DEVELOPMENT

26. During the year under review Powmex Steels Division :

- developed forging of M4 grade high speed steel without prior annealing.
- developed new cold work steel grade S5 for the USA market.
- achieved rolling of high speed steel flats upto 5 mm thickness.

SUBSIDIARY COMPANIES

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

PARTICULARS OF EMPLOYEES

28. 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

29. Mr. J. D. Curavala and Mr. P. N. Biyani, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

30. 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.**

31. 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

32. 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

33. 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 J D Curavala G. Srinivasan
16th April, 2007 *Managing Director* *Director*

FORM - A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

	<u>Current Year Ended 01.04.2007</u>	<u>Previous Year Ended 31.03.2006</u>
	<u>Powmex Steels Division</u>	<u>Powmex Steels Division</u>
(A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units (KWh million)	8.32	7.53
Total Amount (Rs. Crores)	3.54	3.28
Rate/Unit (Rs.)	4.26	4.36
b) Own Generation (Diesel Generator)		
Unit (KWh)	Nil	Nil
Unit/Litre of Diesel Oil	Nil	Nil
Cost/Unit - Variable (Rs.)	Nil	Nil
2. HSD/Furnace Oil		
Quantity (Kilo Litre)	2267	1842
Total Amount (Rs. Crores)	5.56	4.57
Average Rate/Kilo Litre (Rs.)	24517	24836
(B) CONSUMPTION PER UNIT OF PRODUCTION (M.T.)		
Electricity (KWh/tonne)		
	978	997
Melting	862	926
Black Bar	128	143
Bright Bar Finishing	102	134
Heat Treatment		
	408	383
HSD/Furnace Oil (Litre/tonne)		
Rolled Product		

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)	Ballarpur Industries Limited, Schlafhorst Engg. (India) Ltd. Ballaji Shipping & Logistic Ltd.	Member Remuneration Committee	Member of the Audit Committee

* also independent

Board, Annual General Meeting and Attendance

Board Meetings were held on 29th June'06, 30th August'06, 28th November'06, 23rd February, 2007 and 1st April, 2007. The Annual General Meeting was held on 31st August, 2006.

Director	No. of Board Meetings		Attended last AGM
	Held	Attended	
Mr. J. D. Curavala	5	5	Yes
Mr. G. Srinivasan	5	5	Yes
Mr. P.N. Biyani	5	5	Yes
Mr. M.L. Lahoti	5	5	Yes
Mr. N.K. Navalakha	5	4	Yes
Mr. P.K. Banerji	5	5	No

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 1st April, 2007. 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 29th June'06, 30th August'06, 28th November'06 and 23rd February, 2007.

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	4
Mr. P.K. Banerji (w.e.f. 05.12.2005)	Non Executive/ BIFR Nominee	4	4
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 1st April 2007.

Sl. No.	Name	Salary Rs.	Commission Rs.	Perquisites Rs.	Sitting fees Rs.	Total Rs.
1.	Mr. J.D.Curravala	15,64,274	-	7,28,190	-	22,92,464
2.	Mr. G.Srinivasan	12,03,288	-	6,75,846	-	18,79,134
3.	Mr. P.N. Biyani	-	-	-	24,000	24,000
4.	Mr. M.L. Lahoti	-	-	-	28,000	28,000
5.	Mr. N.K.Navalakha	-	-	-	20,000	20,000
6.	Mr. P.K. Banerji	-	-	-	28,000	28,000

Service Contracts, Severance Fees and Notice Period

Period of contract of Managing Director : 3 years from 11.08.2004. The Agreement may be terminated by either party giving the other three month's notice in writing or the Company paying three month's salary in lieu thereof.

There is no separate provision for payment of severance fees.

Period of contract of Wholetime Director : 5 years from 13.09.2002. The Agreement may be terminated by either party giving the other three month's notice in writing or the Company paying three month's salary in lieu thereof.

There is no separate provision for payment of severance fees.

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 6 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, 2006	31st August, 2006	Kala Kunj, Kolkata	11.00 a.m.
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.

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

- At the Seventyfourth Annual General Meeting held on 31st August, 2004
- Re-appointment of and remuneration of Managing Director.
- At the Seventyfifth Annual General Meeting held on 27th September, 2005.
- Revision of remuneration of Wholetime Director.
- At the Seventysixth Annual General Meeting held on 31st August, 2006.
- N I L
No resolution was passed by postal ballot.

8. Disclosures

- 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.
- 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.
- Details of compliance with mandatory requirements and adoption of non mandatory requirements.
All mandatory requirements with respect to Corporate Governance have duly been complied with.
- 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.

: No

- Quarterly Results : The quarterly results published in the proforma prescribed under the Listing Agreement are approved and taken on record within one month of the close of the relevant quarter. The approved results are notified forthwith to the concerned Stock Exchange. 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)
Ajajkal (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	To be set out in the Notice of AGM	

Financial Calendar (tentative) 2007-2008

i) Financial Year	:	April - March
ii) First Quarter Results	:	July 2007
iii) Second Quarter Results	:	October 2007
iv) Third Quarter Results	:	January 2008
v) Audited results for the year ending 31st March, 2008	:	June 2008
Date of Book Closure	:	(To be set out in the Notice of AGM)
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 2007-2008.

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 2006	49.30	42.00	3598.95	3290.35
May 2006	57.05	35.05	3774.15	2896.40
June 2006	36.25	20.90	3134.15	2595.65
July 2006	25.70	22.00	3208.85	2878.25
August 2006	31.20	22.60	3440.20	3113.60
September 2006	30.00	24.10	3603.70	3328.45
October 2006	43.25	28.60	3782.85	3508.65
November 2006	42.60	34.50	3976.80	3737.00
December 2006	52.75	30.10	4046.85	3657.65
January 2007	62.50	43.20	4167.15	3833.60
February 2007	49.00	34.10	4245.30	3674.85
March 2007	53.20	37.05	3842.05	3554.50

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.

Distribution of shareholding

Distribution of share holding as on 01.04.2007

No. of Shares held	No. of Share Holders	%	No. of Shares	%
1 to 500	93685	97.45	3662237	6.14
501 to 1000	1272	1.32	1055287	1.77
1001 to 2000	525	0.55	832834	1.40
2001 to 3000	182	0.19	470742	0.79
3001 to 4000	79	0.08	287968	0.48
4001 to 5000	100	0.11	485602	0.81
5001 to 10000	135	0.14	1077377	1.80
10001 & above	155	0.16	51792961	86.81
TOTAL	96133	100.00	59665008	100.00

Shareholding Pattern

Shareholding Pattern as on 01.04.2007

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	537614	0.90
b. Banks, Financial Institutions & Insurance Companies, (Central/State Govt. Institution/Non Govt. Institution)	2669353	4.47
c. Foreign Institutional Investors	15090	0.03
Sub Total	3222057	5.40
III) Others		
a. Private Corporate Bodies	3717740	6.23
b. Indian Public	9893833	16.58
c. NRIS/OCBS	78173	0.13
d. Others	46456	0.08
Sub Total	13736202	23.02
GRAND TOTAL	59665008	100.00
NOTE : TOTAL FOREIGN SHARE HOLDING		
Foreign Holding (Non - Resident)	9059476	15.19
NRIS/OCBS	78173	0.13
Foreign Institutional Investors	15090	0.03
TOTAL	9152739	15.35

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 01.4.2007, a total of 19837436 ordinary shares of the Company which forms 33.25% 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, West Bengal

Metal Pressings Division
 Village - Pimpri
 Taluq - Jagtap
 District - Shirur
 Pune 412 208

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

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

Address for Correspondence :

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,
 16th April, 2007

For and on behalf of the Board

J D Curavala G.Srinivasan
Managing Director *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 1st April 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India. 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.
- 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.
- 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.
- 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

14, Government Place East
 Kolkata
 16th April, 2007

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

GKW LIMITED**BALANCE SHEET
AS AT 1ST APRIL, 2007**

	Schedule	Rs. Lakhs	
		As at 01.04.07	As at 31.03.06
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	10883.40	8416.50
Reserves and surplus	2	<u>11247.72</u>	<u>11870.35</u>
		22131.12	20286.85
Loan funds			
Secured loans	3	2544.36	3422.08
Deferred tax liability (Note 22)		-	276.40
Total		<u>24675.48</u>	<u>23985.33</u>
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		24485.96	24547.67
Less : depreciation		<u>16035.80</u>	<u>15223.17</u>
Net block		8450.16	9324.50
Investments	5	15.09	8.58
Current assets, loans and advances			
Inventories	6	3061.66	3786.28
Sundry debtors	7	2460.99	1372.68
Cash and bank balances	8	1132.66	878.23
Loans and advances	9	2239.70	1009.13
Other current assets	10	14.67	7.62
		<u>8909.68</u>	<u>7053.94</u>
Less: Current liabilities and provisions			
Liabilities	11	7573.76	7610.23
Provisions	12	68.25	70.98
		<u>7642.01</u>	<u>7681.21</u>
Net current assets		1267.67	(627.27)
Profit and Loss Account		14942.56	15279.52
Total		<u>24675.48</u>	<u>23985.33</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

A. Chakrabarti
Vice-President (Finance)

Aditya Saraogi
Partner

Kolkata,
16th April, 2007

for and on behalf of
LODHA & CO.
Chartered Accountants

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 1ST APRIL, 2007**

	Schedule	Rs. Lakhs	
		1st Apr'06 - 1st Apr'07	2005/2006
INCOME			
Sales (Gross)		13005.62	13018.72
Less: Excise duty		1514.75	1427.82
Net sales		11490.87	11590.90
Other sources	13	562.05	127.75
		<u>12052.92</u>	<u>11718.65</u>
EXPENDITURE AND CHARGES			
Operating Costs	14	10594.33	10898.36
Depreciation	15	852.96	845.94
Interest	16	544.77	537.14
Others	17	10.35	30.09
		<u>12002.41</u>	<u>12311.53</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		50.51	(592.88)
Exceptional items pursuant to BIFR Scheme (net)		-	2494.93
PROFIT/(LOSS) BEFORE TAX		50.51	1902.05
Provision for current taxation (wealth tax)		(0.54)	(0.56)
Provision for fringe benefit tax		(11.29)	(16.93)
Provision for deferred tax		276.40	306.42
PROFIT/(LOSS) AFTER TAX		315.08	2,190.98
Transfer from property revaluation reserve		21.88	21.82
Balance brought forward from earlier year		(15279.52)	(17492.32)
Balance of Profit and Loss account		(14942.56)	(15279.52)
Basic and diluted earnings per share (Rs.) (Note 24)		0.53	3.63
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

A. Chakrabarti
Vice-President (Finance)

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

Kolkata,
16th April, 2007

SCHEDULES TO
BALANCE SHEET

Rs. Lakhs

	As at 01.04.07	As at 31.03.06
1. SHARE CAPITAL		
Authorised		
49250000 (2005/2006 - 25000000) Cumulative redeemable preference shares of Rs.10/- each	4925.00	2500.00
59665008 Ordinary shares of Rs.10/- each	5966.50	5966.50
	<u>10891.50</u>	<u>8466.50</u>
Issued and subscribed		
1500000 16% (Taxable) Cumulative redeemable preference shares of Rs.10/- each redeemable at par in three annual instalments commenced from 25th March, 2001.	-	150.00
23000000 10% Non-convertible redeemable preference shares of Rs.10/- each fully paid up at a premium of Rs 25/- with a redemption period of 10 years from 01.04.07 (Note 26(c))	2300.00	2300.00
26168985 15% Cumulative redeemable preference shares of Rs. 10/- each fully paid up at par with a redemption period of 10 years from 01.04.07 (Note 26(b))	2616.90	-
36696526 Ordinary shares of Rs.10/- each fully paid up at par in cash.	3669.65	3669.65
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>10883.40</u>	<u>8416.50</u>
2. RESERVES AND SURPLUS		
Capital		
Property revaluation		
As at 31st March 2006	1348.99	1370.81
Less : Transfer to profit and loss account	<u>21.88</u>	<u>21.82</u>
Others	677.55	677.55
Debenture redemption		
As at 31st March, 2006	250.00	
Less: Transferred to General Reserve	<u>250.00</u>	250.00
Share Premium		
As at 31st March, 2006	5750.00	
Less: Transferred to current liabilities (Note 26(c))	<u>600.75</u>	5750.00
Preference shares redemption		
As at 31st March, 2006	150.00	
Less: Transferred to General Reserve	<u>150.00</u>	150.00
General *	4093.81	3693.81
	<u>11247.72</u>	<u>11870.35</u>
* includes Rs. 3693.81 Lakhs arising on amalgamation of erstwhile Powmex Steels Limited with the Company with effect from 1.10.95		

**SCHEDULES TO
BALANCE SHEET**

Rs. Lakhs

**As at
01.04.07** **As at
31.03.06**
3. SECURED LOANS

19% Non-convertible debentures - 1998/2000 (Privately placed with Unit Trust of India and Army Group Insurance Fund)	-	331.33
Interest accrued and due thereon	-	170.00
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	377.01	520.67
FITL - Term Loan from Banks	515.15	699.91
Interest accrued and due thereon	7.58	28.01
	899.74	1248.59

(i) 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 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 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.

Powmex Steels Division :

Cash credit - secured by hypothecation	1397.55	1091.24
FITL - Working Capital	199.52	273.56
Interest accrued and due thereon	47.55	22.36

Secured by hypothecation of stocks, book debts etc. and second charge on fixed assets of Powmex Steels Division.

2544.36	3422.08
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4. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March 2006	Additions	Withdrawals/ Adjustment	As at 1st April 2007	As at 31st March 2006	For the Period	Withdrawals/ Adjustment	As at 1st April 2007	As at 31st March 2006	
Land	856.47	-	-	856.47	7.84	0.25	-	8.09	848.38	848.63
Buildings	4148.96	-	-	4148.96	2026.58	94.19	-	2120.77	2028.19	2122.38
Railway Siding	8.98	-	-	8.98	8.93	0.01	-	8.94	0.04	0.05
Plant & Machinery	19199.39	3.10	55.63	19146.86	12896.90	748.71	31.23	13614.38	5532.48	6302.49
Cars & Vehicles	180.20	-	3.18	177.02	169.59	3.01	3.17	169.43	7.59	8.24
Furniture & Fittings	153.67	-	6.00	147.67	113.33	6.79	5.93	114.19	33.48	42.71
	<u>24547.67</u>	<u>3.10</u>	<u>64.81</u>	<u>24485.96</u>	<u>15223.17</u>	<u>852.96</u>	<u>40.33</u>	<u>16035.80</u>	<u>8450.16</u>	<u>9324.50</u>

Per balance sheet 1st April, 2007

	8450.16	9324.50
Previous Year	<u>24871.99</u>	<u>10200.08</u>

Land include development expenditure and leasehold interest (net) of Rs. 8.36 Lakhs (2005/2006 - Rs. 8.61 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. 124.47 Lakhs has been adjusted till 01.04.2007 leaving a balance of Rs. 1327.11 Lakhs as on 01.04.2007.

**SCHEDULES TO
BALANCE SHEET**

Rs. Lakhs

	As at 01.04.07	As at 31.03.06
5. INVESTMENTS		
Quoted		
<i>Trade</i>		
IDBI Ltd.		
10720 shares of Rs.10/- each fully paid at cost	2.20	8.71
Add : Provided earlier now written back	<u>6.51</u>	<u>(6.51)</u>
	8.71	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	-	-
Woodlands Hospital & Medical Research Centre Limited - (formerly The East India Clinic Limited)		
5% non-redeemable registered debentures - fully paid, at cost	-	-
Employees' Consumers' Co-operative Societies -		
500 shares of Rs.10/- each-fully paid, at cost	-	-
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	-	-
<i>Others</i>		
Government securities - at cost		
7 Year National Savings Certificates (deposited with Government authorities)	1.06	1.06
	<u>15.09</u>	<u>8.58</u>
The aggregate book value of quoted investments	9.03	2.52
Market value of quoted investments	10.02	8.63
All Investments are long term Investments		
6. INVENTORIES		
At or under cost (being cost or net realisable value whichever is lower) (*)		
Raw materials	692.64	1768.37
Work in progress (including scrap)	1743.40	1219.00
Finished products	356.14	472.10
Stores and spare parts	247.59	304.91
Loose tools	21.89	21.90
	<u>3061.66</u>	<u>3786.28</u>
(*) net of provisions		

**SCHEDULES TO
BALANCE SHEET**

Rs.Lakhs

	As at 01.04.07	As at 31.03.06
7. SUNDRY DEBTORS		
Over six months		
Secured – considered good	0.74	0.74
Unsecured – considered good	151.65	73.41
– considered doubtful	151.52	151.36
Other debts		
Secured – considered good	0.54	1.10
Unsecured – considered good	<u>2308.06</u>	<u>1297.43</u>
	<u>2612.51</u>	<u>1524.04</u>
Less : Provision for doubtful debts	151.52	151.36
	<u><u>2460.99</u></u>	<u><u>1372.68</u></u>
8. CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	11.62	17.87
Balances with scheduled banks -		
Current accounts	879.80	697.10
Deposit accounts		
– Margin Money (under lien)	237.74	159.91
– Other deposits	3.50	3.35
	<u>1132.66</u>	<u>878.23</u>
9. LOANS AND ADVANCES		
Considered good		
Advances recoverable in cash or for value to be received	663.37	699.40
Inter Corporate Deposit	1300.00	–
Balance with Port Trusts, Customs etc.	144.86	144.58
Other deposits	130.32	164.00
Deposits from customers including Government securities at par (contra included in sundry creditors)	1.15	1.15
Considered doubtful		
Amount recoverable from Subsidiary Companies	85.78	83.19
Advances recoverable in cash or for value to be received	379.82	372.22
	<u>2705.30</u>	<u>1464.54</u>
Less: Provision for doubtful advances	465.60	455.41
	<u><u>2239.70</u></u>	<u><u>1009.13</u></u>
Disclosure under Clause 32 of the Listing Agreement :		
Loans & Advances to Employees	Max Amt outstanding During the period 1st Apr'06 to 1st Apr'07	Outstanding at the end of the period 1st Apr'07
Miscellaneous advances to employees	<u>4.98</u>	<u>4.98</u>
10. OTHER CURRENT ASSETS		
Interest receivables	14.14	7.09
Interest accrued on investments etc.	0.53	0.53
	<u>14.67</u>	<u>7.62</u>
11. LIABILITIES		
Sundry creditors (Note 21)	6961.57	7599.05
Liability under sales tax deferral scheme	5.21	5.21
GKW (OT) Limited, GKW Infosystems Limited (Subsidiary Companies)	5.66	4.94
Liability towards Investor Education and Protection Fund under section 205C of the Companies Act,1956 not due		
– Unclaimed fixed deposits	0.57	1.03
Redemption of preference shares	600.75	–
	<u>7573.76</u>	<u>7610.23</u>
12. PROVISIONS		
Taxation less payments	68.25	70.98

**SCHEDULES TO
PROFIT AND LOSS ACCOUNT**

	Rs. Lakhs	
	1st Apr'06 - 1st Apr'07	2005/2006
13. INCOME FROM OTHER SOURCES		
Dividend from long term investments	0.16	0.09
Income from investment	6.51	-
Interest on bank deposits - before deduction of income tax Rs.1.64 lakhs, (2005/2006 - Rs.1.30 lakhs)	7.31	7.09
Other interest - before deduction of income tax Rs. 0.21 lakhs, (2005/2006 - Rs.0.49 lakhs)	0.97	8.93
Income from other sources	2.99	-
Net profit/(loss) on disposal/scrap of fixed assets	39.05	(43.60)
Miscellaneous income (Note 20)	505.06	155.24
	<u>562.05</u>	<u>127.75</u>
14. OPERATING COSTS		
Raw materials consumed	7213.09	6978.85
Stores consumed	425.54	417.22
Power and fuel	1075.79	950.09
Repairs and maintenance - Plant and machinery	160.99	141.47
Repairs and maintenance - Buildings and estate	10.41	12.38
Repairs and maintenance - Cars and vehicles etc.	42.09	38.36
Salaries, wages and bonus	747.76	990.44
Contribution to provident and other funds	52.40	170.95
Workmen and staff welfare expenses (including Employees' State Insurance premium etc.)	113.12	145.99
Remuneration of Directors (Note 6)	39.74	39.29
Insurance	34.20	41.48
Rent	69.92	40.69
Rates and taxes	53.72	66.57
Printing and stationery	22.46	26.84
Postage, telephone & telex	29.32	29.46
Data processing expenses	11.97	11.37
Travelling expenses	50.46	48.54
Registrars' fees and expenses	1.99	1.99
Bank charges	52.86	27.83
Advertisement expenses	9.72	8.17
Freight, packing and delivery charges (Note 8)	141.98	173.70
Selling Commission	19.53	1.01
Outside processing charges for products (Increase)/Decrease in stocks of finished products and work-in-progress (Note 7)	121.23	130.57
Miscellaneous expenses (Note 19)	(408.44)	(250.92)
	502.48	656.02
	<u>10594.33</u>	<u>10898.36</u>
15. DEPRECIATION		
On fixed assets	852.96	845.94
16. INTEREST		
Debentures	6.94	-
Bank borrowings	176.15	110.14
Term loans	163.89	141.41
Others	197.79	285.59
	<u>544.77</u>	<u>537.14</u>
17. OTHER CHARGES/(INCOME)		
Provision for doubtful debts and advances - (Net)	10.35	30.90
Bad and Doubtful debts and advances written off	-	(0.81)
	<u>10.35</u>	<u>30.09</u>

18. NOTES ON ACCOUNTS**FOR THE PERIOD ENDED 1ST APRIL, 2007****(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 accounts.

(vi) TERMINAL EMPLOYEE BENEFITS

- (a) 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.
- (b) Pension - annual contribution in respect of eligible employees are recognised as revenue charge with appropriate contributions to the Company's related Fund.
- (c) Leave encashment - accrued year-end leave encashment benefits are determined on the basis of actuarial valuation and provided in the accounts.

(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.

(x) PREMIUM ON REDEMPTION OF PREFERENCE SHARES

Premium on redemption of preference shares is provided over the tenure of the preference shares.

	Rs. Lakhs	
	As at 01.04.07	As at 31.03.06
(2) CONTINGENT LIABILITIES		
In respect of :		
Dividend on cumulative redeemable preference shares	-	216.00
Income Tax under Appeal (approx) (net of provisions of Rs. 68.25 Lakhs)	159.49	155.88
Excise duty under Appeal (approx)	261.94	92.05
Disputed sales Tax under Appeal (approx) (net of payment Rs.87.01 Lakhs as advance)	868.86	887.07

- 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 assigned to a Promoter Group Company for settling the dues of IFCI Ltd. on behalf of GKW Cement Ltd. of Rs. 2800.00 Lakhs vide agreement for assignment.

(3) TERMINAL EMPLOYEE BENEFITS

The gratuity liability of Rs 948.47 lakhs as per actuarial valuation as on 31.3.2007 has been fully provided in the accounts. However, Rs 922.12 Lakhs is yet to be funded in Gratuity fund. Accrued leave encashment benefits as at 31st March, 2007 amounted to Rs. 81.66 Lakhs which has been fully provided in the accounts.

(4) STORES CONSUMED

Total stores consumed including write-off of Rs.30.22 Lakhs (2005-06 - Rs 50.53 Lakhs)	445.33	461.82
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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 21.88 Lakhs (2005/06 - 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	
	As at 01.04.07	As at 31.03.06
(6) REMUNERATION OF DIRECTORS		
Total remuneration	39.74	39.29
Amount shown separately in Schedule 14 of Profit and Loss Account [(Including directors' fees Rs 1.00 Lakhs (2005/06 - Rs.0.66 Lakhs), contribution to funds Rs 7.45 Lakhs (2005/06 Rs.7.45 Lakhs), gratuity Rs 1.15 Lakhs (2005/ 06 - Rs.1.15 Lakhs)]		
Other benefits	2.98	2.90
	<u>42.72</u>	<u>42.19</u>
(7) (INCREASE)/DECREASE IN FINISHED AND WORK-IN-PROGRESS STOCKS		
Opening stocks		
Finished products	472.10	583.69
Work-in-progress	1219.00	856.36
Adjustments	-	0.13
	<u>1691.10</u>	<u>1440.18</u>
Closing stocks		
Finished products	356.14	472.10
Work-in-progress	1743.40	1219.00
	<u>2099.54</u>	<u>1691.10</u>
(Increase)/Decrease	<u>(408.44)</u>	<u>(250.92)</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.)	2.93	2.87
Out-of-pocket expenses	0.99	0.44
	<u>9.92</u>	<u>9.31</u>

(11) PARTICULARS IN RESPECT OF GOODS MANUFACTURED *

Class of goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		01.04.07	31.03.06	01.04.07	31.03.06	01.04.07	31.03.06
Fan, motor and generator stampings	tonne	25216	25216	24250	24250	-	-
Transformer laminations	tonne	14229	14229	17750	17750	-	-
Radio, choke and meter laminations	tonne	4059	4059	5350	5350	-	-
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	22	64
Tungsten carbide tools	kgs.	6000	6000	6000	6000	-	-
Woodscrews, machinescrews and self tapping screws	100 nos.	16237440	16237440	26157000	26157000	2668454	3994632
Cotter pins and screw eyes	100 nos.	288000	288000	845000	845000	-	-
Safety pins	1000 nos.	224640	224640	937500	937500	102826	106775
Tubular rivets	1000 nos.	79200	79200	112500	112500	23804	35321
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	1881	1787
Alloy Steel	tonne	3000	3000	3000	3000	417	251

* (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	01.04.07		31.03.06	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Fan, motor and generator stampings	tonne	–	0.27	1	1.96
Radio, choke and meter laminations	tonne	–	–	1	0.49
Bolts, nuts and rivets	tonne	33	35.24	50	48.92
Woodscrews, machine screws and self tapping screws	100 nos.	2864812	1015.53	4154360	1357.11
Safety pins	1000 nos.	104556	133.10	118330	140.71
Tubular rivets	1000 nos.	24750	61.56	38904	78.34
High Speed steel	tonne	1899	10905.49	1824	10789.14
Alloy Steel	tonne	422	665.39	246	400.03
Miscellaneous (including product scrap and other services)		–	189.04	–	202.02
			<u>13005.62</u>		<u>13018.72</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	01.04.07		31.03.06		31.03.05	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Fan, motor and generator stampings	tonne	31	2.48	31	2.49	32	2.84
Radio, choke and meter laminations	tonne	10	0.34	10	0.33	11	0.44
Mild steel pressed components	tonne	–	2.01	–	0.01	–	0.01
Hot rolled bars, rods and sections	tonne	899	75.40	899	75.29	899	75.28
Bright steel bars	tonne	292	39.26	292	39.22	292	39.22
Bolts, nuts and rivets	tonne	693	76.23	704	81.99	690	70.18
Woodscrews, machine screws and self tapping screws	100 nos.	513050	55.98	709408	87.04	869136	110.58
Cotter pins and screw eyes	100 nos.	2058	0.20	2058	0.01	2058	0.01
Safety pins	1000 nos.	462	0.41	2192	1.03	13747	9.18
Tubular rivets	1000 nos.	8167	9.14	9113	1.32	12696	3.71
High Speed Steel	tonne	17	93.51	35	173.39	72	270.89
Alloy Steel	tonne	1	1.18	6	9.98	1	1.35
			<u>356.14</u>		<u>472.10</u>		<u>583.69</u>

(14) ANALYSIS OF RAW MATERIALS CONSUMED

	Unit	01.04.07		31.03.06	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
Melting scrap	tonne	2668	2916.88	1905	2285.49
Ferro alloys, fluxes and other steel making materials	tonne	422	3882.25	351	4152.64
Wire rods and coils	tonne	908	240.00	1311	326.18
Miscellaneous		-	173.96	-	214.54
			<u>7213.09</u>		<u>6978.85</u>

* including write down of Rs. 9.69 Lakhs (2005/2006 - Rs. NIL)

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

	01.04.07		31.03.06	
	Rs. Lakhs	%	Rs. Lakhs	%
Imported	3344.37	43.7	3426.18	46.0
Indigenous	4314.05	56.3	4014.49	54.0
	<u>7658.42</u>	<u>100.0</u>	<u>7440.67</u>	<u>100.0</u>

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

	Rs. Lakhs	
	01.04.07	31.03.06
Raw materials	3058.14	3477.12
Stores (including components and spare parts)	32.89	47.17
	<u>3091.03</u>	<u>3524.29</u>

(17) EXPENDITURE IN FOREIGN CURRENCY

Commission	18.53	-
Others (Bank charges, travelling, Professional charges etc)	9.01	3.01
	<u>27.54</u>	<u>3.01</u>

The above is net of estimated tax where applicable.

(18) EARNINGS IN FOREIGN CURRENCIES

Export of goods calculated on f.o.b. basis	840.09	1976.82
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(19) MISCELLANEOUS EXPENSES

Include cash discount Rs. 105.48 Lakhs (2005/2006 - Rs 139.92 lakhs) and foreign exchange loss - Rs. NIL (2005/2006 - Rs 34.50 Lakhs).

(20) MISCELLANEOUS INCOME

Include foreign exchange gain of Rs 45.71 Lakhs (2005/2006 - Rs 3.03 lakhs) and liabilities no longer required - Rs 187.12 Lakhs (2005/2006 - Rs 29.77 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. Müllick & 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 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 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 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, Shankar Products, D.N. Sircar S.K.Das Pvt Ltd, R.J.Electricals, Kalimata Trading, Bhagwati Preci-cut (P) Ltd, Edcut 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. 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. S. Enterprise, Annapurna Press, A.P. Banerjee & Co Pvt Ltd, Bidhan Press, Bikram Engg & H.N.Combustion, Bishnu 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, S. M. Engineering, U.P.Electrical Stores, Zenith Marketing Cons Pvt Ltd.

Sundry Creditors includes total dues to Small Scale Industrial units Rs.106.62 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 276.40 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 01.04.06	Charge/ (credit)/ Adjustment for the period	Rs. Lakhs Closing Balance as on 01.04.07
Deferred Tax Assets			
- Unabsorbed depreciation	1815.09	19.57	1834.66
Total	<u>1815.09</u>	<u>19.57</u>	<u>1834.66</u>
Deferred Tax Liabilities			
- Depreciation	2091.49	(256.83)	1834.66
Net Deferred Tax Liability	<u>(276.40)</u>	<u>276.40</u>	<u>-</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

Name of the Related Party	Nature of Relationship	Nature of Transaction	Value of Transaction for the period		Debit/(Credit) outstanding balance as on	
			01.04.07	31.03.06	01.04.07	31.03.06
GKW (Overseas Trading) Ltd	Subsidiary Company	Receiving of services	1.00	1.01	(5.66)	(4.94)
GKW Cement Ltd	Subsidiary Company	Advance given to meet establishment expenses	2.49	5.53	80.34	77.85
		Provision for doubtful advances	2.49	5.53	(80.34)	(77.85)
GKW Infosystems Ltd	Subsidiary Company of GKW (Overseas Trading) Ltd	Advance given to meet establishment expenses	0.10	0.76	5.44	5.34
		Provison for doubtful advances	0.10	0.76	(5.44)	(5.34)
Matrix Commercial Private Ltd	Promoter Group Company	Equity subscription		2700.00		(2700.00)
Rosemary Commercial Private Ltd	Promoter Group Company	Equity subscription		300.00		(300.00)
				<u>3000.00</u>		<u>(3000.00)</u>
Kiwi Investments Limited	Promoter Group Company	Preference Shares	2266.90		(2266.90)	
SCL Investment Pvt Limited	Promoter Group Company	Preference Shares	60.00		(60.00)	
Bangur Charitable Company	Promoter Group Company	Preference Shares	50.52		(50.52)	
K. K. Bangur	Promoter	Preference Shares	80.00		(23.73)	
Shree Laxmi Agents Limited	Promoter Group Company	Preference Shares	42.44		(42.44)	
Likhami leasing Limited	Promoter Group Company	Preference Shares	1498.00		(1498.00)	
The Bond Company Limited	Promoter Group Company	Preference Shares	613.38		(613.38)	
The Emerald Company Ltd	Promoter Group Company	Preference Shares	259.53		(259.53)	
H. L. Investment Company Ltd	Promoter Group Company	Preference Shares	22.40		(22.40)	
			<u>4916.90</u>		<u>(4916.90)</u>	
Mr. J. D. Curavala	Key Management Personnel	Remuneration	22.93	22.86	(4.24)	(5.48)
Mr. G. Srinivasan	Key Management Personnel	Remuneration	18.79	18.67	(3.56)	(4.57)

(24) The Earnings per share has been calculated on the basis of number of equity shares outstanding during the period ended 1st April, 2007 in accordance with the provisions of Accounting Standard 20 (Earnings per share) issued by The Institute of Chartered Accountants of India.

Rs. Lakhs

	01.04.07	31.03.06
Profit / (Loss) after tax	315.08	2190.98
Less: Preference share dividend	-	(24.00)
Profit / (Loss) attributable to equity shares	315.08	2166.98
No. of Shares	59665008	59665008
Earnings per Share (Rs)	0.53	3.63

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

I. REGISTRATION DETAILS

Registration No.	7026	State Code	21
Balance Sheet Date	01 04 2007		
	Date Month Year		

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	2616.90

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

Total Liabilities	32317.49	Total Assets	32317.49
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SOURCES OF FUNDS

Paid-up Capital	10883.40	Reserves & Surplus	11247.72
Secured Loans	2544.36	Deferred Tax liability	-

APPLICATION OF FUNDS

Net Fixed Assets	8450.16	Investments	15.09
Net Current Assets	1267.67	Misc. Expenditure	-
Accumulated Losses	14942.56		

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

Turnover (including other income)	13567.67	Total Expenditure	13517.16
Profit/(Loss) Before Tax	50.51	Profit/(Loss) After Tax	315.08
Earnings per Share	0.53	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) GENERAL

(a) The Company has substantially implemented the Rehabilitation Scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) 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 and as further amended by the Appellate Authority for Industrial and Financial Reconstruction vide its Order dated 8th December, 2006. Pursuant to the said Orders, and further to the steps already taken in the previous year, the following progress has been made during the year towards substantial implementation of the Sanctioned Scheme;

- dues of all secured creditors as envisaged in the scheme have been fully settled.
- restructuring of bank borrowings of Powmex Steels division in terms of scheme has been completed, resulting in infusion of required working capital into the division.
- rationalization of workforce through settlement of their dues, has also been carried out.
- dues pertaining to the 16% redeemable preference shares have also been paid off.

As on 1st April 2007, as per these accounts, the net worth of the company has turned positive. Further the company has made net profit during the year. In view of the above, these accounts are being prepared on a going concern basis.

(b) In terms of the BIFR Order dated 5th October, 2005 the Company has issued and allotted 2,61,68,985, 15% Cumulative Redeemable Preference Shares of Rs 10/- each fully paid up at par to Promoter Group Companies on 1st April 2007 with a redemption period of 10 years from the date of allotment.

(c) During the period, the terms of 2,30,00,000 10% non-convertible redeemable preference shares have been amended. As per the revised terms, the preference shares shall be redeemed on 31st March 2017, the dividend of 10% payable annually shall accumulate in case of inadequacy of profit and the premium payable on redemption on these preference shares will be Rs. 25/- per share only. The premium payable on preference shares, on or before redemption of preference shares has been provided on a straight line basis over the tenure of these preference shares, by adjustment to Share Premium Account. Consequently, the premium of preference shares has been reduced by Rs. 600.75 Lakhs with corresponding credit to liability for redemption of preference shares is higher to that extent.

(d) Operation of the Company's Andul Road Works (ARW) at Howrah (comprising Steel, Bolt & Nut, Engineering & Machinery Division and Unit of Sankey Electrical Stampings Division) continue to remain suspended since 30th August 1998/13th 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 said 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.

(e) 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 earlier years as there is no further indication of impairment of assets since previous Balance Sheet.

(f) Sundry debit and credit balances, inclusive of debtors and creditors, loans & advances etc. are subject to confirmation and reconciliation, if any, with regard to the same. Consequential adjustments in this respect, if any, will be made as and when ascertained.

(g) The appeals filed against the BIFR Order dated 1st August 2005 have been adjudicated and the AAIFR has passed an Order on 8th December 2006, endorsing the validity of the Sanctioned Scheme and its implementation except in case of ARW divisions at Howrah, BIFR has been directed to re-examine the viability of the said divisions.

(h) 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.

(i) Previous years figures have been rearranged and regrouped, where necessary but are not strictly comparable with 2006/07 figures pertaining to the period from 1st April, 2006 to 1st April, 2007.

On behalf of the Board

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

G. Srinivasan
Director
A. Chakrabarti
Vice-President (Finance)

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

Kolkata
16th April, 2007

CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

Rs. Lakhs

	For the period ended 1st April, 2007	For the year ended 31st March, 2006
A. Cash flow from Operating Activities		
Net Profit/(Loss) before taxation and after exceptional items	50.51	1902.05
Adjustments for:		
Depreciation - Fixed Assets	852.96	845.94
Exceptional items (net)	-	(2494.93)
Profit/ (Loss) on sale / scrapping of fixed assets	(38.65)	43.60
Stores Written off	30.22	50.53
Foreign Exchange loss (net)	(45.71)	31.47
Income on investment	(6.67)	(0.09)
Interest income	(8.28)	(16.02)
Provision for doubtful debts and advances (net)	10.35	30.09
Liability no longer required written back	(187.12)	(29.77)
Interest expense	544.77	537.14
	<u>1151.87</u>	<u>(1002.04)</u>
Operating Profit/(Loss) before Working Capital changes	1202.38	900.01
Adjustments for:		
Trade & Other receivables	(1036.28)	(433.99)
Inventories	694.40	(758.59)
Trade Payables	(450.10)	1379.83
Cash generation from operation	410.40	1087.26
Interest paid		-
Others	(565.75)	(277.71)
Direct taxes paid/refund	(14.56)	(17.49)
Cash flow before adjustments/exceptional items	(169.91)	792.06
Foreign Exchange loss (net)	45.71	(31.47)
Exceptional items	-	(4309.20)
Net Cash from operating activities	<u>(124.20)</u>	<u>(3548.61)</u>
B. Cash Flow from investing activities		
Purchase of fixed assets	(3.10)	(50.53)
Sale of fixed assets	63.11	-
Purchase / Write back of Investments	-	(0.20)
Income on investment	0.16	0.09
Interest income	8.28	16.02
Net cash flow from investing activity	<u>68.45</u>	<u>(34.62)</u>

	Rs. Lakhs	
	For the year ended 1st April, 2007	For the year ended 31st March, 2006
C. Cash Flow from Financing activities		
Proceeds out of issue of shares (Equity & Preference)	2616.90	5300.00
Share premium	-	5750.00
Redemption of preference shares	(150.00)	-
Repayment to UTI & AGI	(501.33)	-
Loan from Bank	(285.00)	285.00
Inter corporate Deposit	(1300.00)	-
Repayment of borrowings & interest to Banks	(376.70)	(6475.34)
Increase / (Decrease) in overdraft from Bank	306.31	(293.51)
Net cash flow from financing activities	<u>310.18</u>	4566.15
Exceptional items	-	(332.76)
Net increase in Cash and Cash equivalents (A+B+C)	<u>254.43</u>	650.16
Closing Cash and Cash Equivalents as on 01.04.06	878.23	228.07
Closing Cash and Cash Equivalents as on 01.04.07	<u>1132.66</u>	<u>878.23</u>

- Notes: 1. Figures in brackets represent cash outflow.
2. Closing cash balance include Margin Money (under lien) of Rs 237.74 Lakhs and other deposits of Rs 3.50 Lakhs respectively .
3. Previous year's figures have been regrouped and rearranged wherever necessary.

On behalf of the Board

J. D. Curravala
Managing Director

G. Srinivasan
Director

J. N. Ghosh
Secretary

A. Chakrabarti
Vice-President (Finance)

Kolkata
16th April, 2007

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

14, Government Place East
Kolkata
16th April, 2007

for LODHA & CO
Chartered Accountants
Aditya Sarangi
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,2007	Rs 59341 Profit	Rs. NIL	Rs 24641 Loss
(ii) For the previous financial years	Rs 514427 Profit	Rs. NIL	Rs 2402177 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, 2007	Nil	Nil	Nil
(ii) For the previous financial years	Nil	Nil	Nil

On behalf of the Board

J. D. Curavala
Managing Director

G. Srinivasan
Director

J.N. Ghosh
Secretary

A. Chakrabarti
Vice-President (Finance)

Kolkata
16th April, 2007

10 YEARS' PROFILE

(Rs. In Lakhs)

97-'98 98-'99 99-'2000 2000-'01 2001-'02 2002-'03 2003-'04 2004-'05 2005-'06 2006-'07

OPERATING RESULTS

Sales	23706	17149	12841	7659	6622	6456	7306	8263	13019	13006
Profit/(Loss) before depreciation & finance charges	979	(1136)	582	4217	3155	(589)	(238)	(1)	790	1448
Finance Charges	(2560)	(3428)	(3495)	(2367)	(1493)	(1498)	(1680)	(1820)	(537)	(545)
Gross Profit/Loss	(1581)	(4564)	(2913)	1850	1662	(2087)	(1918)	(1821)	253	903
Depreciation	(949)	(968)	(982)	(909)	(907)	(908)	(904)	(870)	(846)	(853)
Profit/(Loss) before tax	(2530)	(5532)	(3895)	941	755	(2995)	(2822)	(2691)	1902	50
Profit/(Loss) after tax	(3004)	(7590)	(4091)	939	754	(2753)	(2548)	(2359)	2191	315
Dividend	-	-	-	-	-	-	-	-	-	-

OTHER STATISTICS

Net Assets Employed	31354	19041	17740	12911	10055	7662	6329	5563	8429	9733
Shareholders' Fund	10698	3301	(578)	221	858	(3327)	(5875)	(8234)	5007	7189
PBT to Sales (%)	-	-	-	12	11	-	-	-	15	-
PBT to Net Assets Employed (%)	-	-	-	7	7	-	-	-	23	1
Dividend (%)	-	-	-	-	-	-	-	-	-	-
No. of Employees	5232	4844	4533	4010	3627	2965	2691	2452	1839	1646
No. of shareholders ('000 nos.)	114	114	114	114	114	112	107	104	99	96

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 1st April, 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period 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.

- I. 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 period **except in respect of fixed assets of the Company's divisions which are under suspension of operations as indicated in Note No. 26(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 period, 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 period, **excepting those lying at divisions under suspension of operations as indicated in Note No. 26(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. 26(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 explanations 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 period. 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 1st April, 2007.
 - 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 1st April, 2007 in respect of Provident Fund, Corporation Tax, Water Tax, Land Revenue and Property Tax amount to Rs 32.60 Lacs, Rs 41.10 Lacs, Rs 1.44 Lacs, Rs 29.16 Lacs and Rs 29.75 Lacs respectively.**

- b) According to the information and explanations given to us, and read with Note No. 26(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 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)	4.57	1981-82
		CIT (A), ITAT & Calcutta High Court	121.32	1997-98
		CIT (A), ITAT & Orissa High Court	104.61	1991-93
The Central Sales Tax Act, 1956	Central Sales Tax	DC (Appeals)	173.05	1985, 1983,
		Asstt Commissioner	35.17	1992-2000, 2002-04
		Bench II & IV	15.74	1984, 2000-02 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 1992-96
The West Bengal Sales Tax Act, 1994	Sales Tax	DC (Appeals)	93.15	1995-2004
The Central Excise Act, 1944	Excise Duty	Commissioner (Appeals)	41.93	1998-99
		CESAT	25.25	2004
		Commissioner of Central Excise	194.77	1997-98, 2005
Central Sales Tax (Orissa Rules), 1957	Sales Tax	CTO/Assessing	3.75	2006-07
		Officer Bolangir	15.25	2005-06
		Asstt. Comm of Comm Tax, Bolangir	4.47	2004-05
		Commissioner of Comm Tax, Cuttack		
		Commercial Tax Officer, Bolangir	411.6	2002-04

- X. The accumulated losses of the Company at the end of the financial year are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- XI. In our opinion and on the basis of information and explanations given to us, **Company has not defaulted in repayment of dues to the Financial institutions and banks except as given below.**

<u>Type</u>	<u>Period</u>	<u>Amount Rs.in Lakhs</u>
Term loans from Banks	2006-07	7.58
Cash credit	2006-07	47.55

There were no debenture holders as at the end of the period.

- 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 period 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. During the year the said guarantee was reassigned in favour of a party which had paid off the financial institution. **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, the Company has not availed fresh term loan during the period.

- XVII. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that funds amounting to Rs.426.95 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 maintained under Section 301 of the Act, during the period. 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 no outstanding Debentures at the period end.
- XX. The Company has not raised any money through a Public issue during the period.
- 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 period, nor have we been informed of any such case by the management.
2. **As indicated in Note 26 (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 26 (e) of Schedule 18, net recoverable value of the fixed assets has been measured by an independent valuer in the earlier year, 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. **As indicated in Note 26 (f) of Schedule 18, in respect of certain debit and credit balances including debtors, creditors, loans and advances, liabilities etc., pending reconciliation with confirmations, extent of adjustments arising therefrom and their impact, if any are presently not ascertainable and therefore cannot be commented upon by us.**
 5. **We further report that, impact of Para, 2 to 4 on the Company's profit for the year and the year-end net worth has not been ascertained and cannot be commented upon by us.**
 6. Further to above, we report that:
 - a) We have obtained, **subject to our observation under Para 2 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, 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) On the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director of the Company in terms of 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 5 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 1st April, 2007;
 - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the period ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Aditya Saraogi

Partner

Membership No.54643

for Lodha & Co.

Chartered Accountants

Kolkata
16th April, 2007

DIRECTORS' REPORT

Your Directors submit the Annual Report together with the Audited Accounts for the year ended 31st March, 2007.

ACCOUNTS

The turnover for the year was Nil (2005-2006 - Nil). Income by way of commission earned on export orders for High Speed Steels during the year was Rs.1.00 lakh as against Rs. 1.02 lakhs for the year 2005-2006. The expenditure incurred by the Company in foreign currency during the year was Rs. Nil (2005-2006 - Nil) and the earnings in foreign currency was Rs. Nil (2005-2006 - Nil). Net profit for the year was Rs.0.59 lakh as against a net loss of Rs.0.80 lakh in the year 2005-2006.

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. Pankaj Maharaj has resigned from the Board with effect from 26th March, 2007. The Directors record their deep appreciation of the valuable services rendered by him during his association with the Company.

Mr. A. Chakrabarti retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment.

AUDITORS

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

Kolkata
14th April, 2007

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, 2007 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 (Auditors' 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 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 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, 2007
 - b) in the case of the Profit & Loss account, of the profit for the year ended on that date.

Kolkata
14th April, 2007

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. 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 well as 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

Kolkata
14th April, 2007

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

**BALANCE SHEET
AS AT 31ST MARCH, 2007**

	Schedule	31st March, 2007		31st March, 2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1		500000		500000
Reserves and Surplus	2		<u>573768</u>		<u>514427</u>
Total			<u><u>1073768</u></u>		<u><u>1014427</u></u>
APPLICATION OF FUNDS					
Fixed Assets	3				
Gross block		339847		339847	
Less: Accumulated Depreciation		<u>330076</u>		<u>328635</u>	
Net Block			9771		11212
Investments	4		500000		500000
Current Assets, Loans and Advances					
Cash and Bank Balances	5		11120		10342
Loans and Advances	6		<u>584299</u>		<u>506707</u>
			<u>595419</u>		<u>517049</u>
Less : Current Liabilities and Provisions					
Liabilities		5860		5860	
Provisions		<u>25562</u>		<u>7974</u>	
		<u>31422</u>		<u>13834</u>	
Net Current Assets			563997		503215
Total			<u><u>1073768</u></u>		<u><u>1014427</u></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
14th April, 2007

On behalf of the Board
A. Bhattacharya M. L. Lahoti
Director Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007**

	Schedule	2006-2007	2005-2006
		Rs.	Rs.
INCOME			
Commission		<u>100000</u>	101486
		<u>100000</u>	<u>101486</u>
EXPENDITURE AND CHARGES			
Expenses	7	13656	11901
Depreciation		1441	1810
		<u>15097</u>	<u>13711</u>
PROFIT/(LOSS) BEFORE TAXATION		84903	87775
Provision for taxation		<u>25562</u>	7974
PROFIT/(LOSS) AFTER TAXATION		59341	79801
Balance from previous year brought forward		<u>514427</u>	434626
Balance carried forward		<u>573768</u>	<u>514427</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

On behalf of the Board
A. Bhattacharya M. L. Lahoti
Director Director

Kolkata
14th April, 2007

GKW (OVERSEAS TRADING) LIMITED**SCHEDULES TO BALANCE SHEET**

	31st March,2007 Rs.	31st March,2006 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>573768</u>	<u>514427</u>		
3. FIXED ASSETS				
	Plant & Machinery	Furniture & Fittings	Total 2006/2007	Total 2005/2006
	Rs.	Rs.	Rs.	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>324993</u>	<u>3642</u>	<u>328635</u>	<u>326825</u>
Add: For the year	<u>1441</u>	<u>-</u>	<u>1441</u>	<u>1810</u>
Total as at the year end	<u>326434</u>	<u>3642</u>	<u>330076</u>	<u>328635</u>
Net book value as at 31st March, 2007	<u>9770</u>	<u>1</u>	<u>9771</u>	<u>11212</u>
Net book value as at 31st March, 2006	<u>11211</u>	<u>1</u>	<u>11212</u>	<u>-</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			445	5169
Bank balances with scheduled bank on current account			<u>10675</u>	<u>5173</u>
			<u>11120</u>	<u>10342</u>
6. LOANS AND ADVANCES				
Considered good				
Advances recoverable in cash or value to be received [Includes receivable from GKW Ltd. Rs.566246 (Previous year - Rs.494264), the holding Company.]			<u>566246</u>	<u>494264</u>
TDS Receivable			11303	5693
Advance Tax			<u>6750</u>	<u>6750</u>
			<u>584299</u>	<u>506707</u>
SCHEDULE TO THE PROFIT AND LOSS ACCOUNT				
7. EXPENSES				
Rates and taxes			5635	4935
Bank charges			111	56
Auditors' remuneration (Note 2)			6000	6000
Licence / Filing fees			<u>1910</u>	<u>910</u>
			<u>13656</u>	<u>11901</u>

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007 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.

	2006/2007	2005/2006
	Rs.	Rs.
2. PAYMENTS TO AUDITORS		
As auditors of the Company	<u>6735</u>	<u>6735</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:

Name of the related party	Nature of Relationship	Nature of Transaction	Value of Transaction for the year		Debit/(Credit) outstanding Balance as on	
			2006-07	2005-06	31.03.07	31.03.06
GKW Limited	Holding Company	Receiving of services	-	-	566246	494264
		Rendering of services	100000	101486	-	-

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 2007		
	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	1105190	Total Assets	1105190
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SOURCES OF FUNDS

Paid-up Capital	500000	Reserves & Surplus	573768
Secured Loans	-	Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	9771	Investments	500000
Net Current Assets	563997	Misc. Expenditure	Nil
Accumulated Losses	-		

IV. PERFORMANCE OF THE COMPANY (Amount in Rupees)

Turnover	Nil	Total Expenditure	15097
Total Income	100000	Profit/(Loss) after Tax	59341
Profit/(Loss) before Tax	84903	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
14th April, 2007

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 2007.

PROJECT IMPLEMENTATION

1. The implementation of the Cement project continues to be on hold. However, in view of the substantial reduction in secured loan amounts, various alternatives for restructuring including hiving off the project were being contemplated. Consequently, the adjustment in the value of assets including impairment of assets, liabilities and pre-operative expenditure as may be required will be carried out based on the final outcome of such a course of action. Accordingly, the fixed assets, capital work-in-progress and incidental expenditure during construction period including incurred during the year and liabilities are carried forward at their respective book values.
2. The Government of Rajasthan has initiated steps to cancel the mining lease against which the Company moved the Appropriate Authority for an order for stay on cancellation of mining lease and the stay order was accordingly granted.
3. Pursuant to an Agreement for Assignment dated 10th April, 2006 entered into between IFCI Ltd., Carbon Finance Ltd., (CFL), a promoter group company and the Company, CFL has provided financial accommodation to the tune of Rs.2500 lakhs to the Company and accordingly, one time settlement of dues of IFCI Ltd. has been made during the year. Subsequently, the loan amount of Rs.2500 lakhs of Carbon Finance Ltd. together with interest of Rs.290.50 lakhs were taken over by H.L. Investment Company Limited, another promoter group company during the year pursuant to an Agreement for Assignment dated 30th March, 2007 entered into between Carbon Finance Ltd., H. L. Investment Company Ltd and the Company.

FINANCE AND ACCOUNTS

1. During the year under review, the capital expenditure (including pre-operative expenses) amounted to Rs.721.59 lakhs which includes interest on Customs duty of Rs.324.63 lakhs. Total borrowings as on 31.03.2007 amounted to Rs.5540.50 lakhs, out of which Loan from H. L. Investments Company Ltd. was Rs.2790.50 lakhs and balance Rs.2750 lakhs represents unsecured convertible zero interest bearing debentures.
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, 2007 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. 9 on the Accounts is self explanatory.
4. As regards uncertainty about the ability of the Company to continue as a going concern and non consequential adjustments relating to recoverability/amounts and certification of recorded assets/liabilities in Auditors' Report, Note No. 9 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, capital work-in-progress and incidental expenses over the estimated realizable value referred to in the Auditors' Report, Note No. 9 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. 9 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 judgements 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. M.K.Mallik 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
14th April, 2007

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, 2007. 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. We further report that :

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 explanations 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 explanations 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 the 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 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 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 2007 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 3634.67 Lakhs, Rs 10.56 Lakhs and Rs 237.08 Lakhs respectively.**
b) According to the information and explanations given to us, there are no amounts outstanding as on 31st March 2007 in respect of disputed Income-Tax and customs duty.
 - X) After considering our observation given in paragraph 2(c) below, the net worth of the Company is eroded by more than fifty percent. As mentioned in Note 10(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 10(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, however short term funds have been used for long term purposes amounting to Rs. 6506/- Lakhs primarily to incur incidental expenditure during year.
 - 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 during the year.
 - 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.
 - a) **We draw attention to Note 9 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. These financial statements do not include consequential adjustment relating to recoverability / amounts and classification of recorded assets/liabilities that may be required if the Company is unable to continue as a going concern.**
 - b) **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 these balances over their estimated realizable value, has not been carried out. Consequential impact in this respect could not be ascertained and commented upon by us.**
 - c) **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.4399.41 lakhs. In view of the prolonged interruption of project, the impact thereof including on the revenue, on preparation of statement of incidental expenditure by the management, pending ascertainment of the amount finally allocable to fixed assets (as given in Note 10(d) of Schedule 9) cannot be readily ascertained and commented upon by us as on this date.**
 - d) **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 10(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 10(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 10(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 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 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 the 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, 2007.**

Adivya Saraogi
Partner
Membership No 54643
For Lodha & Co.
Chartered Accountants

Kolkata
14th April, 2007

BALANCE SHEET
AS AT 31ST MARCH, 2007

	Schedule	Rs. Lakhs	
		As at 31.03.07	As at 31.03.06
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	120.12	120.12
Loan Funds			
Secured Loans	2	-	2500.00
Unsecured Loans	3	<u>5540.50</u>	<u>2750.00</u>
Total		<u>5660.62</u>	<u>5370.12</u>
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		910.75	911.25
Less: Depreciation		<u>25.12</u>	<u>23.83</u>
Net Block		<u>885.63</u>	<u>887.42</u>
Capital work-in-progress		5740.22	5740.22
Incidental expenditure during construction	5	<u>2997.81</u>	<u>2276.22</u>
		9623.66	8903.87
Current Assets, Loans and Advances			
Cash and Bank Balances	6	65.77	0.14
Loans and Advances	7	<u>1.88</u>	<u>1.88</u>
		67.65	2.02
Less: Current Liabilities	8	<u>4031.33</u>	<u>3536.40</u>
Net Current Assets		(3963.68)	(3534.38)
Miscellaneous expenditure to the extent not written off		<u>0.64</u>	<u>0.64</u>
Total		<u>5660.62</u>	<u>5370.12</u>
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.

On behalf of the Board

Kolkata
14th April, 2007

A. Bhattacharya
Director

M. K. Mallik
Director

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

SCHEDULES TO BALANCE SHEET

	Rs. Lakhs	
	As at 31.03.07	As at 31.03.06
	Rs.	Rs.
1. SHARE CAPITAL		
Authorised		
1500000 Equity Shares of Rs. 10/- each	<u>150.00</u>	<u>150.00</u>
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)	<u>120.00</u>	<u>120.00</u>
	<u>120.12</u>	<u>120.12</u>
2. SECURED LOANS		
Term Loans from Industrial Finance Corporation of India (Note 10(a))	<u>-</u>	<u>2500.00</u>
	<u>-</u>	<u>2500.00</u>
3. UNSECURED LOANS		
Zero coupon, non-interest bearing unsecured convertible debentures	2750.00	2750.00
Loan from a body corporate (Note 10(a))	2790.50	-
	<u>5540.50</u>	<u>2750.00</u>

4 FIXED ASSETS

Rs. Lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.3.2006	Additions	Withdrawals	As at 31.3.2007	As at 31.3.2006	For the Year	Withdrawals/ Adjustment	As at 31.3.2007	As at 31.3.2007	As at 31.3.2006
Land & Mining Rights	877.65	-	-	877.65	-	-	-	-	877.65	877.65
Building	7.33	-	-	7.33	1.84	0.12	-	1.96	5.37	5.49
Plant & Machinery	12.03	-	0.50	11.53	10.96	0.27	-	11.23	0.30	1.07
Furniture & Fixture	14.24	-	-	14.24	11.03	0.90	-	11.93	2.31	3.21
Total	911.25	-	0.50	910.75	23.83	1.29	-	25.12	885.63	887.42
Capital Work-in-progress									5740.22	5740.22
									6625.85	6627.64

Land & Mining Rights includes Rs.300 Lakhs paid to acquire certain rights, entitlements, licences and approvals required for the project implementation. Capital work-in-progress includes advances given to suppliers for plant and machinery of Rs. 1401.60 Lakhs (2006/07 - Rs 1401.60 Lakhs) and estimated Custom duty of Rs.1444.21 Lakhs (2006/07 - Rs 1444.21 Lakhs).

5. INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD

Rs. Lakhs

	As at 31.03.07	As at 31.03.06
Balance brought forward from previous year	2276.22	13967.60
Less: Term Loan from IFCI no longer required to be paid	-	(1226.63)
		12740.97
Less: Interest on Term Loan from IFCI no longer required to be paid	-	(10711.38)
		2029.59
Expenditure during the year		
Staff Salary	0.91	1.14
Staff Welfare Expenses	0.01	0.01
Travelling Expenses	0.12	0.20
Printing & Stationery	0.01	0.01
Rent	6.58	4.11
Rates and Taxes	0.03	0.03
Postage Telephone and Fax	0.04	0.04
Bank Charges	0.02	0.07
Miscellaneous Expenses	0.31	0.28
Establishment Expenses	0.84	0.38
Interest on Custom duty	324.63	216.63
Interest on Loan	291.75	-
Audit Fees	0.15	0.15
Depreciation	1.29	1.41
Warehouse Rent	94.90	22.17
Amount carried forward to Balance sheet	2997.81	2276.22

6. CASH AND BANK BALANCES

Cash in Hand	0.02	0.02
Balances with scheduled banks (including cheques in transit)	65.75	0.12
	65.77	0.14

7. LOANS AND ADVANCES

Considered good		
Advances recoverable in cash or value to be received	1.01	1.01
Other Deposits (including Rs 0.03 Lakhs in National Savings Certificate)	0.87	0.87
	1.88	1.88

8. LIABILITIES

Sundry Creditors	3950.98	3459.55
Amount payable to GKW Limited	80.34	76.85
	4031.33	3536.40

SCHEDULES TO BALANCE SHEET

Rs. Lakhs
As at **As at**
31.03.07 **31.03.06**

9. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

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. 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 & Land Tax

49.63 682.35

3. PAYMENT TO AUDITORS

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

0.15 0.15

4. 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.

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

6. VALUE OF IMPORTS ON CIF BASIS.

NIL **NIL**

7. EXPENDITURE IN FOREIGN CURRENCY

NIL **NIL**

8. Current liabilities include estimated customs duty Rs. 3634.67 Lakhs including interest of Rs. 2190.46 Lakhs payable on duty.

SCHEDULES TO BALANCE SHEET

9. The implementation of the Cement project continues to be on hold. However, in view of the substantial reduction in secured loan amounts, various alternatives including re-structuring of the business are being contemplated. Consequently, the adjustment in the value of assets including impairment of assets, liabilities and pre-operative expenditure as may be required will be carried out based on the final outcome of such course of action. Accordingly, the fixed assets, capital work-in-progress and incidental expenditure during construction period including incurred during the year and liabilities are carried forward at their respective book values.

10. GENERAL

- (a) Pursuant to Agreement for Assignment dated 10th April, 2006 entered into between IFCI Ltd, Carbon Finance Ltd (CFL), a promoter group company and the Company, CFL has provided financial accommodation to the tune of Rs 2500 lakhs to the Company and accordingly, one time settlement of dues of IFCI Ltd has been made during the year.
Subsequently, the loan amount of Rs 2500 lakhs of Carbon Finance Ltd together with interest of Rs 290.50 Lakhs were taken over by H L Investment Company Limited, another promoter group company during the year pursuant to an Agreement of Assignment dated 30th March, 2007 entered into between Carbon Finance Ltd, H. L. Investment Company and the Company.
- b) The Company's applications for transfer of all licence, 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), Earnings per share (AS-20), accounting for 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 the 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 re-arranged and re-grouped where necessary.

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

I. REGISTRATION DETAILS

Registration No.	21-89065	State Code	21
Balance Sheet Date	31 03 2007		
	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	9691.95	Total Assets	9691.95
SOURCES OF FUNDS			
Paid-up Capital	120.12	Reserves and Surplus	Nil
Secured Loans	-	Unsecured Loans	5540.50
APPLICATION OF FUNDS			
Net Fixed Assets	885.63	Investments	Nil
Net Current Assets	(3963.68)	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

Aditya Saraogi
Partner

for and on behalf of
LODHA & CO
Chartered Accountants

On behalf of the Board

Kolkata
14th April, 2007

A. Bhattacharya
Director

M. K. Mallik
Director

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors submit their sixth Annual Report together with the Audited Accounts for the year ended 31st March, 2007.

ACCOUNTS

The turnover for the year was NIL (2005-2006 – NIL). The Company incurred a loss of Rs.24,641/- (2005-2006 – Rs.37,596/-) during the said period.

In respect of Auditors' Report as stated in item No. (vi) of Annexure of the Report, the item No. 9(a) of Notes of Accounts is self-explanatory. Since the Company is not engaged in manufacturing activity, the provision under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption, is 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. It was decided to keep on hold for the present, the activities of the Company would be revived on receipt of financial support from the parent company when appropriate strategies could be put in to place.

FOREIGN EXCHANGE EARNINGS AND OUT GO

There was no foreign exchange earnings and outgo.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm :

- That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- 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.
- 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.
- That the Directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

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

DIRECTORS

Mr. M.K.Mallik 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.

Kolkata
14th April, 2007

For and on behalf of the Board
A. Bhattacharya M. K. Mallik
Director 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, 2007 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 :

- 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.
- 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
- The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
- 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.
- On the basis of written representations received from the directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- As indicated in Note no: 9(a) of Schedule X, the Company has incurred losses for the year under review and there has been total erosion of its net worth, The Companies' operational activities are on hold during the year and it would be revived after restructuring and rehabilitation of GKW Limited are implemented, when appropriate strategies can be put into place. Accordingly, the accounts of the Company has been prepared on a going concern basis.**
- 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:
 - In case of the Balance Sheet, of the state of the affairs of the Company as on 31st March, 2007
 - In the case of the Profit & Loss account, of the loss for the year ended on that date.

Kolkata
14th April, 2007

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. No material discrepancies were noticed on verification. There was no disposal of fixed assets during the year.
- (ii) There has been 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. 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
14th April, 2007

**BALANCE SHEET
AS AT 31ST MARCH, 2007**

	Schedule	2006-2007		2005-2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1		<u>500000</u>		<u>500000</u>
TOTAL			<u>500000</u>		<u>500000</u>
APPLICATION OF FUNDS					
Fixed Assets	2				
Gross Block		<u>80700</u>		80700	
Less : Depreciation		<u>80699</u>		<u>68434</u>	
Net Block			1		12266
Current Assets, loans and advances					
Sundry Debtors	3	-		-	
Cash and bank balances	4	<u>14942</u>		<u>15033</u>	
Loans and Advances	5	<u>25879</u>		<u>25879</u>	
		<u>40821</u>		<u>40912</u>	
Less : Current Liabilities and provisions	6	<u>1967640</u>		<u>1955355</u>	
Net Current Assets			<u>(1926819)</u>		<u>(1914443)</u>
Profit and Loss Account			<u>2426818</u>		<u>2402177</u>
TOTAL			<u>500000</u>		<u>500000</u>
Notes on Accounts	8				

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
Kolkata
14th April, 2007

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007**

	Schedule	2006-2007	2005-2006
		Rs.	Rs.
INCOME			
		-	-
EXPENDITURE AND CHARGES			
Operating Costs	7	<u>12376</u>	24514
Depreciation		<u>12265</u>	<u>13082</u>
		<u>24641</u>	<u>37596</u>
Profit/(Loss) before Taxation		<u>(24641)</u>	<u>(37596)</u>
Provision for Taxation		-	-
Balance from previous year brought forward		<u>(2402177)</u>	<u>(2364581)</u>
Balance of Profit/(Loss) account		<u>(2426818)</u>	<u>(2402177)</u>
Notes on Accounts	8		

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
A.Bhattacharya M.K.Mallik
Director Director

Kolkata
14th April, 2007

**SCHEDULES TO
BALANCE SHEET**

1. SHARE CAPITAL

	2006-2007	2005-2006
	Rs.	Rs.
Authorised 100000 Ordinary Shares of Rs.10/-each.	1000000.00	1000000.00
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)	500000.00	500000.00

2. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31st March 2006 (Rs)	Additions (Rs)	Withdrawals (Rs)	As at 31st March 2007 (Rs)	As at 31st March 2006 (Rs)	Withdrawals (Rs)	For the Year (Rs)	As at 31st March 2007 (Rs)	As at 31st March 2005 (Rs)	
Computer	80700	-	-	80700	68434	-	12265	80699	1	12266

2006-2007	2005-2006
Rs.	Rs.

3. 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	663510	663510
Less: Provision for doubtful debts	663510	663510
	-	-

4. CASH AND BANK BALANCES

Cash and Cheques-In-hand	1	1
Balance with Scheduled Banks	14941	15032
	14942	15033

5. 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.	210763	210763
	236642	236642
Less : Provision for Doubtful Advance	210763	210763
	25879	25879

6. CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors	188409	188409
Other Creditors - GKW	543900	534115
Advance Franchisee Fees	107320	107320
Other Expenses	990976	988476
Sylvan-Prometric Test Fees	44169	44169
Advance Course Fees	92866	92866
	1967640	1955355

	2006-2007 Rs.	2005-2006 Rs.
7. OPERATING COSTS		
Audit Fees	6734	6734
Bank Charges	91	1187
Rates & Taxes	4050	3960
Provision for stock obsolescence	-	12033
Miscellaneous Expenses (filing fees, License fees & others)	1501	600
	<u>12376</u>	<u>24514</u>

**NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

Schedule - 8

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.

	2006-2007 Rs.	2005-2006 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	<u>6734</u>	<u>6734</u>
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.		

	2006-2007	2005-2006
	Rs	Rs
6. CLAUSE 4-C OF PART II OF SCHEDULE VI IS NOT APPLICABLE TO THE COMPANY		
7. VALUE OF IMPORTS ON CIF BASIS.	NIL	NIL
8. EXPENDITURE IN FOREIGN CURRENCY	NIL	NIL
9. GENERAL		

(a) The Company's training and other activities continued to remain suspended as the the Company did not have the capacity to make the required investments for running the business. The activities of the Company would be revived after the restructuring and rehabilitation of GKW Limited are implemented, when appropriate strategies can be put into place. 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.

<u>Name of the related party</u>	<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	<u>Transaction for the year</u>		Rs. <u>Debit/(Credit) outstanding as On 31.03.2007</u>	
			<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
			GKW (Overseas Trading) Limited	Holding Company	Nil	Nil
GKW Limited	Holding Company of GKW (Overseas Trading) Limited	Receiving of Services	-	75664	(534900)	(534115)

INFORMATION PURSUANT TO PART IV OF THE COMPANIES ACT, 1956

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

I. REGISTRATION DETAILS

Registration No.	27207	State Code	21
Balance Sheet Date	31 03 2007	Date Month Year	

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	2467640	Total Assets	2467640
SOURCES OF FUNDS			
Paid-up Capital	500000	Reserves & Surplus	Nil
Secured Loans	Nil	Unsecured Loans	Nil

APPLICATION OF FUNDS

Net Fixed Assets	1	Investments	Nil
Net Current Assets	(1926819)	Misc. Expenditure	Nil
Accumulated Losses	(2426818)		

IV. PERFORMANCE OF THE COMPANY (Amount in Rupees)

Total Income	-	Total Expenditure	24641
Profit/(Loss) before Tax	(24641)	Profit/(Loss) after Tax	(24641)
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
14th April, 2007

A.Bhattacharya
Director

M.K.Mallik
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 1st April, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date. 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.11,46,012 as at 31st March 2007 and total revenues of Rs.1,00,000 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 Note 10(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 10(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 10(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) **As indicated in Note 10(i) of Schedule 18, in respect of certain debit and credit balances including debtors, creditors, loans and advances, liabilities, etc. pending reconciliation with confirmations, extent of adjustments arising therefore and their impact, if any, are presently not ascertainable and therefore cannot be commented upon by us.**
 - (d) **As indicated in Note 1(a)(iv) of Schedule 18, the financial statements of the subsidiaries which have been consolidated are drawn upto 31st March 2007 and transactions for 1st April 2007 have not been incorporated and recognised in these consolidated financial statements, their impact on the consolidated financial statement are presently not ascertainable.**
 - (e) **We further report that, impact of Para 5(a) to 5(d) on the profit for the period and the period 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 10(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 1st April 2007, consolidated results of their operations and their consolidated cash flows for the period ended on that date in conformity with the accounting principles generally accepted in India.

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

Kolkata,
16th April 2007

GKW LIMITED – CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

AS AT 1ST April, 2007

	Schedule	As at 1st April '07	Rs.Lakhs As at 31st March '06
SOURCE OF FUNDS			
Shareholders' funds			
Share capital	1	10883.40	8416.50
Reserves and surplus	2	11249.01	11871.64
		<u>22132.41</u>	<u>20288.14</u>
Loan funds			
Secured loans	3	2544.36	3422.08
Deferred tax liability (Note 6)		—	276.40
Total		<u>24676.77</u>	<u>23986.62</u>
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		24490.17	24551.87
Less : depreciation		16039.92	15227.15
Net block		<u>8450.25</u>	<u>9324.72</u>
Investments	5	10.09	3.58
Current assets, loans and advances			
Inventories	6	3061.66	3786.28
Sundry debtors	7	2460.99	1372.68
Cash and bank balances	8	1132.92	878.49
Loans and advances	9	2240.14	1009.52
Other current assets	10	14.67	7.62
		<u>8910.38</u>	<u>7054.59</u>
Less : Current liabilities and provisions			
Liabilities	11	7582.40	7619.56
Provisions	12	68.51	71.06
		<u>7650.91</u>	<u>7690.62</u>
Net current assets		1259.47	(636.03)
Profit and Loss Account		14956.96	15294.35
Total		<u>24676.77</u>	<u>23986.62</u>
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

A. Chakrabarti
Vice President (Finance)

Aditya Saraogi
Partner

Kolkata,
16th April 2007

for and on behalf of
LODHA & CO.
Chartered Accountants

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 1ST APRIL, 2007**

	Schedule	1st April 2006 -1st April 2007	Rs.Lakhs 2005/2006
INCOME			
Sales (Gross)		13005.62	13018.72
Less: Excise duty		<u>1514.75</u>	<u>1427.82</u>
Net sales		11490.87	11590.90
Other sources	13	<u>562.05</u>	<u>127.75</u>
		<u>12052.92</u>	<u>11718.65</u>
EXPENDITURE AND CHARGES			
Operating Costs.	14	10593.59	10897.70
Depreciation	15	853.09	846.09
Interest	16	544.78	537.14
Others	17	<u>10.25</u>	<u>29.34</u>
		<u>12001.71</u>	<u>12310.27</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		51.21	(591.62)
Exceptional items pursuant to BIFR Scheme (net)		—	2494.93
PROFIT/(LOSS) BEFORE TAX		<u>51.21</u>	<u>1903.31</u>
Provision for current taxation (wealth tax)		<u>(0.81)</u>	(0.64)
Provision for fringe benefit tax		<u>(11.29)</u>	(16.93)
Provision for deferred tax		<u>276.40</u>	<u>306.42</u>
PROFIT/(LOSS) AFTER TAX		315.51	2192.16
Transfer from property revaluation reserve		21.88	21.82
Balance brought forward from earlier year		<u>(15294.35)</u>	<u>(17508.33)</u>
Balance of Profit and Loss account		<u>(14956.96)</u>	<u>(15294.35)</u>
Basic and diluted earnings per share (Rs.) (Note 8)		0.53	3.63
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

A. Chakrabarti
Vice-President (Finance)

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

Kolkata,
16th April 2007

GKW LIMITED – CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 1ST APRIL, 2007**

	As at 01.04.07	Rs. Lakhs	As at 31.03.06
1. SHARE CAPITAL			
Authorised			
49250000 (2005/2006-25000000) Cumulative redeemable preference shares of Rs.10/- each	4925.00		2500.00
59665008 Ordinary shares of Rs.10/- each	5966.50		5966.50
	<u>10891.50</u>		<u>8466.50</u>
Issued and subscribed			
1500000 16% (Taxable) Cumulative redeemable preference shares of Rs.10/- each redeemable at par in three annual instalments commenced from 25th March, 2001.	—		150.00
23000000 10% Non-convertible redeemable preference shares of Rs.10/- each fully paid up at a premium of Rs 25/- with a redemption period of 10 years from 01.04.2007. (Note 10(c))	2300.00		2300.00
26168985 15% Cumulative redemable preference shares of Rs. 10/- each fully paid up at par with a redemption period of 10 years from 01.04.2007 (Note 10(b))	2616.90		—
36696526 Ordinary shares of Rs. 10/- each fully paid up at par in cash.	3669.65		3669.65
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>10883.40</u>		<u>8416.50</u>
2. RESERVES AND SURPLUS			
Capital			
Property revaluation			
As at 31st March 2006	1348.99		
Less : Transfer to profit and loss account	<u>21.88</u>	1327.11	1348.99
Others		677.55	677.55
Capital Reserve on consolidation		1.29	1.29
Debenture redemption			
As at 31st March, 2006	250.00		
Less : transferred to General Reserve	<u>250.00</u>	—	250.00
Share Premium			
As at 31st March, 2006	5750.00		
Less : transferred to current liabilities (note 10(c))	<u>600.75</u>	5149.25	5750.00
Preference shares redemption			
As at 31st March, 2006	150.00		
Less : transferred to General Reserve	<u>150.00</u>	—	150.00
General *		4093.81	3693.81
	<u>11249.01</u>		<u>11871.64</u>
* Includes Rs. 3693.81 Lakhs 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
Interest accrued and due thereon	—		170.00
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 1ST APRIL, 2007**

	Rs. Lakhs	
	As at 01.04.07	As at 31.03.06
3. SECURED LOANS (Contd.)		
Powmex Steels Division :		
Term Loan from Banks	377.01	520.67
FITL - Term Loan from Banks	515.15	699.91
Interest accrued and due thereon	<u>7.58</u>	<u>28.01</u>
	899.74	1248.59
(i) 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 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 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.		
Powmex Steels Division :		
Cash credit	1397.55	1091.24
FITL - Working Capital	199.52	273.56
Interest accrued and due thereon	47.55	22.36
Secured by hypothecation of stocks, book debts etc. and second charge on fixed assets of Powmex Steels Division.		
	<u>2544.36</u>	<u>3422.08</u>

4. FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March 2006	Additions	Withdrawals/ Transfer/ Adjustments	As at 1st April, 2007	As at 31st March 2006	For the Year	Withdrawals/ Transfer/ Adjustments	As at 1st April, 2007	As at 1st April, 2007	As at 31st March, 2006
Land	856.47	-	-	856.47	7.84	0.25	-	8.09	848.38	848.63
Buildings	4148.96	-	-	4148.96	2026.58	94.18	-	2120.76	2028.20	2122.38
Railway Siding	8.98	-	-	8.98	8.93	0.01	-	8.94	0.04	0.05
Plant & Machinery	19203.55	3.10	55.63	19151.02	12900.85	748.85	31.22	13618.47	5532.56	6302.70
Cars & Vehicles	180.20	-	3.18	177.02	169.59	3.01	3.17	169.43	7.59	8.24
Furniture & Fittings	153.71	-	5.99	147.72	113.36	6.79	5.93	114.23	33.48	42.72
	<u>24551.87</u>	<u>3.10</u>	<u>64.80</u>	<u>24490.17</u>	<u>15227.15</u>	<u>853.09</u>	<u>40.32</u>	<u>16039.92</u>	<u>8450.25</u>	<u>9324.72</u>
Per balance sheet 1st April, 2007								<u>8450.25</u>	<u>9324.72</u>	
Previous Year	<u>24876.19</u>	<u>13.95</u>	<u>338.27</u>	<u>24551.87</u>	<u>14675.72</u>	<u>846.09</u>	<u>294.65</u>	<u>15227.15</u>	<u>9324.72</u>	<u>10207.49</u>

Land includes development expenditure and leasehold interest (net) of Rs.8.36 lakhs (2005/2006-Rs.8.61 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.124.47 lakhs has been adjusted till 01.04.07 leaving a balance of Rs.1327.11 lakhs as on 01.04.2007.

GKW LIMITED – CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 1ST APRIL, 2007**

	Rs.Lakhs	
	As at 01.04.07	As at 31.03.06
5. INVESTMENTS		
Quoted		
Trade		
IDBI Ltd.		
10720 shares of Rs.10/- each- fully paid at cost	2.20	
Add : Provided earlier now written back	<u>6.51</u>	
	8.71	2.20
<i>Others</i>		
Government securities - at cost		
5.3/4 % Loan 2002	0.32	0.32
Unquoted		
Trade		
The Bengal Chamber of Commerce and Industry -		
6.1/2% non-redeemable registered debentures - fully paid, at cost	-	-
Woodlands Hospital & Medical Research Centre Limited -		
(formerly The East India Clinic Limited)		
5% non-redeemable registered debentures - fully paid, at cost	-	-
Employees' Consumers' Co-operative Societies -		
500 shares of Rs.10/- each-fully paid, at cost	-	-
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	-	-
<i>Others</i>		
Government securities - at cost		
7 Year National Savings Certificates	1.06	1.06
(deposited with Government authorities)	<u>10.09</u>	<u>3.58</u>
The aggregate book value of quoted investments	9.02	2.52
Market value of quoted investments	10.02	8.63
All Investments are long term Investments	<u>10.02</u>	<u>8.63</u>

6. INVENTORIES

At or under cost (being cost or net realisable value whichever is lower) (*)

Raw materials	692.63	1768.37
Work in progress (including scrap)	1743.40	1219.00
Finished products	356.14	472.10
Stores and spare parts	247.59	304.91
Loose tools	21.90	21.90
	<u>3061.66</u>	<u>3786.28</u>

(*) net of provisions

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 1ST APRIL, 2007**

	Rs. Lakhs	
	As at 1st April 2007	As at 31st March 2006
7. SUNDRY DEBTORS		
Over six months:		
Secured - considered good	0.74	0.74
Unsecured - considered good	151.65	73.41
Unsecured - considered doubtful	158.16	158.00
Other debts:		
Secured - considered good	0.54	1.10
Unsecured - considered good	<u>2308.06</u>	<u>1297.43</u>
	2619.15	1530.68
Less : Provision for doubtful debts	<u>158.16</u>	<u>158.00</u>
	<u>2460.99</u>	<u>1372.68</u>
8. CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	11.62	17.92
Balances with scheduled banks -		
Current accounts	880.06	697.31
Deposit accounts		
– Margin Money (under lien)	237.74	159.91
– Other deposits	3.50	3.35
	<u>1132.92</u>	<u>878.49</u>
9. LOANS AND ADVANCES		
Considered good:		
Advances recoverable in cash or for value to be received	663.79	699.76
Inter Corporate Deposit	1300.00	–
Balance with Port Trusts, Customs etc.	144.86	144.58
Other deposits	130.34	164.03
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	80.34	77.85
Advances recoverable in cash or for value to be received	<u>381.93</u>	<u>374.33</u>
	2702.41	1461.70
Less: Provision for doubtful advances	<u>462.27</u>	<u>452.18</u>
	<u>2240.14</u>	<u>1009.52</u>
Disclosure under Clause 32 of the Listing Agreement :		
Loans & Advances to Employees	Max Amt outstanding During the period 1st Apr'06 to 1st Apr'07	Outstanding at the end of the period 1st Apr'07
Miscellaneous advances to employees	<u>4.98</u>	<u>4.98</u>
10. OTHER CURRENT ASSETS		
Interest receivables	14.14	7.09
Interest accrued on investments etc.	0.53	0.53
	<u>14.67</u>	<u>7.62</u>
11. LIABILITIES		
Sundry creditors	6970.21	7608.38
Liability under sales tax deferral scheme	5.21	5.21
GKW(OT) Limited, GKW Infosystems Limited (Subsidiary Companies)	5.66	4.94
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act,1956 not due		
– Unclaimed fixed deposits	0.57	1.03
Share Premium payable on redemption of preference shares.	600.75	–
	<u>7582.40</u>	<u>7619.56</u>
12. PROVISIONS		
Taxation less payments	<u>68.51</u>	<u>71.06</u>

GKW LIMITED – CONSOLIDATED FINANCIAL STATEMENTS

**SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 1ST APRIL, 2007**

	1st April 2006 -1st April 2007	Rs. Lakhs 2005/2006
13. INCOME FROM OTHER SOURCES		
Dividend from long term investments	0.16	0.09
Income from investment	6.52	-
Interest on bank deposits - before deduction of income tax Rs.1.64 lakhs, (2005/2006 - Rs.1.30 lakhs)	7.31	7.09
Other interest - before deduction of income tax Rs. 0.21 lakhs, (2005/2006 - Rs.0.49 lakhs)	0.97	8.93
Income from other sources	2.99	-
Net profit/loss on disposal / scrap on fixed assets	39.04	(43.61)
Miscellaneous income (Note 5)	505.06	155.25
	<u>562.05</u>	<u>127.75</u>
14. OPERATING COSTS		
Raw materials consumed	7213.09	6978.85
Stores consumed	425.54	417.22
Power and fuel	1075.79	950.09
Repairs and maintenance - Plant and machinery	160.99	141.47
Repairs and maintenance - Buildings and estate	10.41	12.38
Repairs and maintenance - Cars and vehicles etc.	42.10	38.36
Salaries, wages and bonus	747.76	990.44
Contribution to provident and other funds	52.40	170.95
Workmen and staff welfare expenses (including Employees' State Insurance premium etc.)	113.12	145.99
Remuneration of Directors	39.74	39.29
Insurance	34.20	41.48
Rent	69.93	40.69
Rates and taxes	53.82	66.65
Printing and stationery	22.46	26.84
Postage, telephone & telex	29.32	29.46
Data processing expenses	11.97	11.37
Travelling expenses	50.46	48.54
Registrars' fees and expenses	1.99	1.99
Bank charges	52.86	27.84
Advertisement expenses	9.71	8.17
Freight, packing and delivery charges	141.97	173.70
Selling commission	18.53	-
Outside processing charges for products	121.23	130.57
(Increase)/Decrease in stocks of finished products and work-in-progress (Note 4)	(408.44)	(250.92)
Miscellaneous expenses	502.64	656.28
	<u>10593.59</u>	<u>10897.70</u>
15. DEPRECIATION		
On fixed assets	853.09	846.09
16. INTEREST		
Debentures	6.94	-
Bank borrowings	176.15	110.14
Term loans	163.89	141.41
Others	197.80	285.59
	<u>544.78</u>	<u>537.14</u>
17. OTHER CHARGES/(INCOME)		
Provision for doubtful debts and advances - (net)	10.25	30.15
Bad and Doubtful debts and advances written off	-	(0.81)
	<u>10.25</u>	<u>29.34</u>

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 01.04.2007 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 01.04.2007.

(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 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.
- (iv) The financial statements of the subsidiaries which have been consolidated are drawn upto 31st March, 2007 and transactions for 1st April, 2007 have not been incorporated and recognised in this consolidated financial statement.

(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.

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 01.04.2007.

(iv) INVESTMENTS

Investments are stated at cost less write downs where applicable.

(v) 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.

(vi) 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.

(vii) TERMINAL EMPLOYEE BENEFITS

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

(viii) 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.

(ix) SALES

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

(x) 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.

(xi) PREMIUM ON REDEMPTION OF PREFERENCE SHARES

Premium on redemption of preference shares is provided over the tenure of the preference shares.

	Rs. Lakhs	
	As at 01.04.07	As at 31.03.06
(2) CONTINGENT LIABILITIES		
<i>In respect of :</i>		
Dividend on cumulative redeemable preference shares	-	216.00
Income Tax under Appeal (approx) (net of provisions of Rs. 68.25 Lakhs)	159.49	155.88
Excise duty under Appeal (approx)	261.94	92.05
Disputed sales Tax under Appeal (approx) (net of payment Rs. 87.01 Lakhs)	868.86	887.07
- 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 assigned to a Promoter Group Company for settling the dues of IFCI Ltd on behalf of GKW Cement Ltd of Rs. 2800.00 Lakhs vide agreement for assignment dated 30th March, 2007.		

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 01.04.2007.

(3) TERMINAL EMPLOYEE BENEFITS

The gratuity liability of Rs 948.47 Lakhs as per actuarial valuation as on 31.3.2007 has been fully provided in the accounts. However Rs. 922.12 Lakhs is yet to be funded in Gratuity fund. Accrued leave encashment benefits as at 31st March, 2007 amounted to Rs. 81.66 Lakhs which has been fully provided in the accounts.

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

	Rs. Lakhs	
	2006/2007	2005/2006
Opening stocks		
Finished products	472.10	583.69
Work-in-progress	1219.00	856.36
Adjustments	-	0.13
	<u>1691.10</u>	<u>1440.18</u>
Closing stocks		
Finished products	356.14	472.10
Work-in-progress	1743.40	1219.00
	<u>2099.54</u>	<u>1691.10</u>
(Increase)/Decrease	<u>(408.44)</u>	<u>(250.92)</u>

(5) MISCELLANEOUS INCOME

Include foreign exchange gain of Rs 45.71 Lakhs (2005/2006 - Rs 3.03 Lakhs), liabilities no longer required Rs 187.12 Lakhs (2005/2006 - Rs 29.77 Lakhs).

- (6) (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 276.40 Lakhs pertaining to current year has been shown in Profit and Loss Account.

The Break-up of deferred tax assets and liabilities ;

			Rs. Lakhs
	Opening Balance as on 01.04.06	Charge/(Credit)/for the Adjustment for the period	Closing Balance as on 01.04.07
Deferred Tax Assets			
-Unabsorbed depreciation	1815.09	19.57	1834.66
Total	<u>1815.09</u>	<u>19.57</u>	<u>1834.66</u>
Deferred Tax Liabilities			
-Depreciation	2091.49	(256.83)	1834.66
Net Deferred Tax liability	<u>(276.40)</u>	<u>276.40</u>	<u>-</u>

(7) "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>01.04.07</u>	<u>31.03.06</u>	<u>01.04.07</u>	<u>31.03.06</u>
GKW Cement Ltd	Subsidiary Company	Advance given to meet establishment expenses	2.49	5.53	80.34	77.85
		Provision for doubtful advances	2.49	5.53	(80.34)	(77.85)
Matrix Commercial (P) Ltd.	Promoter Group Company	Equity subscription.	-	2700.00	-	(2700.00)
Rosemary Commercial (P) Ltd.	-do-	-do-	-	300.00	-	(300.00)
				<u>3000.00</u>		<u>3000.00</u>

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1ST APRIL 2007

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

Name of the related party	Nature of Relationship	Nature of Transaction	Value of Transaction for the period		Debit/(Credit) outstanding balance as on	
			01.04.07	31.03.06	01.04.07	31.03.06
					Rs. Lakhs	
Kiwi Investments Limited	Promoter Group Company	Preference Shares	2266.90		(2266.90)	
SCL Investment Pvt Limited	Promoter Group Company	Preference Shares	60.00		(60.00)	
Bangur Charitable Company	Promoter Group Company	Preference Shares	50.52		(50.52)	
K. K. Bangur	Promoter	Preference Shares	80.00		(23.73)	
Shree Laxmi Agents Limited	Promoter Group Company	Preference Shares	42.44		(42.44)	
Likhami leasing Limited	Promoter Group Company	Preference Shares	1498.00		(1498.00)	
The Bond Company Limited	Promoter Group Company	Preference Shares	613.38		(613.38)	
The Emerald Company Ltd	Promoter Group Company	Preference Shares	259.53		(259.53)	
H. L. Investment Co. Ltd	Promoter Group Company	Preference Shares	22.40		(22.40)	
			<u>4916.90</u>		<u>(4916.90)</u>	
Mr. J. D. Curravala	Key Management Personnel	Remuneration	22.93	22.86	(4.24)	(5.48)
Mr. G. Srinivasan	Key Management Personnel	Remuneration	18.79	18.67	(3.56)	(4.57)

(8) The Earnings per share has been calculated on the basis of number of equity shares outstanding during the period ended 1st April, 2007 in accordance with the provisions of Accounting Standard 20 (Earnings per share) issued by The Institute of Chartered Accountants of India.

	01.04.07	31.03.06
	Rs. Lakhs	
Profit/(Loss) after tax	315.51	2192.16
Less: Preference share dividend	-	(24.00)
Profit / (Loss) attributable to equity share	315.51	2168.16
No. of Shares	59665008	59665008
Earnings per Share (Rs)	0.53	3.63

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

A PRIMARY SEGMENT (BUSINESS SEGMENT)	Rs. Lakhs	
	Period ended 01.04.07	12 months ended 31.03.2006
1. Segment Revenue (net sales/income from each segment)		
Steel	11583.11	11223.96
Fasteners	1285.16	1686.58
Electricals	7.14	2.45
Auto Components	159.93	140.47
Others	-	5.37
Total	<u>13035.34</u>	<u>13058.83</u>
Less: Inter segment Revenue	(29.72)	(40.11)
Net Sales/Income from operation	<u>13005.62</u>	<u>13018.72</u>
2 Segment Results (Profit/Loss) before tax and interest from each segment		
Steel	741.19	737.03
Fasteners	(6.48)	196.32
Electricals	(112.85)	(498.88)
Auto Components	(73.73)	(45.87)
Others	(27.61)	(7.17)
Total	<u>520.52</u>	<u>381.43</u>
Less: Unallocated Corporate expenses (net of income)	75.46	(435.91)
	<u>595.98</u>	<u>(54.48)</u>
Less:(i) Interest	(544.77)	(537.14)
(ii) Other unallocable expenditure net off unallocable income	-	2494.93
	<u>51.21</u>	<u>1903.31</u>

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1ST APRIL 2007.

3. Segment Assets and Liabilities	Rs Lakhs			
	01.04.2007		2005-06	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Steel	12069.34	2888.48	12070.05	3286.61
Fasteners	1092.05	1213.06	1217.35	1272.30
Electricals	849.97	827.81	957.53	1148.05
Auto Components	1073.12	445.71	1051.93	436.68
Others	2290.45	2198.70	1080.15	1466.59
Total	17374.93	7573.76	16387.01	7610.23
Unallocated Corporate assets and liabilities	(4.21)	8.89	(4.13)	9.41
	<u>17370.72</u>	<u>7582.65</u>	<u>16382.88</u>	<u>7619.64</u>

4. Capital Expenditure	Rs. Lakhs	
	Period ended 01.04.07	12 months ended 31.03.2006
Steel	1.77	12.82
Fasteners	0.15	—
Electricals	—	—
Auto Components	—	—
Others	1.18	1.13
	<u>3.10</u>	<u>13.95</u>
Unallocated Corporate Expenditure	—	—
Total	<u>3.10</u>	<u>13.95</u>

5. Depreciation	Rs. Lakhs	
	Period ended 01.04.07	12 months ended 31.03.2006
Steel	693.34	695.21
Fasteners	20.61	24.04
Electricals	44.62	46.94
Auto Components	83.12	68.52
Others	1.63	1.83
	<u>843.32</u>	<u>836.54</u>
Unallocated Corporate Depreciation	9.77	9.55
Total	<u>853.09</u>	<u>846.09</u>

6. Other Non-Cash Expenditure	Rs. Lakhs	
	Period ended 01.04.07	12 months ended 31.03.2006
Steel	7.76	23.62
Fasteners	—	—
Electricals	—	0.19
Auto Components	—	—
Others	—	—
	<u>7.76</u>	<u>23.81</u>
Unallocated Corporate Expenditure	2.49	5.53
Total	<u>10.25</u>	<u>29.34</u>

B SECONDARY SEGMENT (GEOGRAPHICAL SEGMENT)

	Rs. Lakhs			
	Period ended 01.04.07		12 months ended 31.03.06	
	Within India	Outside India	Within India	Outside India
1. Segment Revenue	10891.63	2113.99	10170.13	2848.59
2. Segment Assets	17096.93	273.79	16053.86	329.02
3. Capital Expenditure	3.10	—	13.95	—

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.

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1ST APRIL 2007.

(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.

10) GENERAL

(a) The Company has substantially implemented the Rehabilitation Scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) 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 and as further amended by the Appellate Authority for Industrial and Financial Reconstruction vide its Order dated 8th December, 2006. Pursuant to the said Orders, and further to the steps already taken in the previous year, the following progress has been made during the year towards substantial implementation of the Sanctioned Scheme;

- dues of all secured creditors as envisaged in the scheme have been fully settled.
- restructuring of bank borrowings of Powmex Steels division in terms of scheme has been completed, resulting in infusion of required working capital into the division.
- rationalization of workforce through settlement of their dues, has also been carried out.
- dues pertaining to the 16% redeemable preference shares have also been paid off.

As on 1st April 2007, as per these accounts, the net worth of the company has turned positive. Further the company has made net profit during the year. In view of the above, these accounts are being prepared on a going concern basis.

(b) In terms of the BIFR Order dated 5th October, 2005 the Company has issued and allotted 2,61,68,985, 15% Cumulative Redeemable Preference Shares of Rs 10/- each fully paid up at par to Promoter Group Companies on 1st April 2007 with a redemption period of 10 years from the date of allotment.

(c) During the period, the terms of 2,30,00,000 10% non-convertible redeemable preference shares have been amended. As per the revised terms, the preference shares shall be redeemed on 31st March 2017, the dividend of 10% payable annually shall accumulate in case of inadequacy of profit and the premium payable on redemption on these preference shares will be Rs. 25/- per share only. The premium payable on preference shares, on or before redemption of preference shares has been provided on a straight line basis over the tenure of these preference shares, by adjustment to Share Premium Account. Consequently, the premium of preference shares has been reduced by Rs. 600.75 Lakhs with corresponding credit to liability for redemption of preference shares is higher to that extent.

(d) The Company's training and other activities continued to remain suspended as the Company did not have the capacity to make the required investments for running the business. The activities of the Company would be revived after the restructuring and rehabilitation of GKW Limited are implemented, when appropriate strategies can be put into place.

(e) Operation of the Company's Andul Road Works (ARW) at Howrah (comprising Steel, Bolt & Nut, Engineering & Machinery Divisions and an Unit of Sankey Electrical stampings Division) continue to remain suspended since 30th August 1998/13th 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 said divisions could not be carried out. Losses on account of deterioration in quality or otherwise have not been ascertained except in

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1ST APRIL 2007.

respect of inventories, which have been provided as estimated by the management and charged to respective heads of account.

(f) The accounts of GKW Cement Ltd has not been considered for consolidation, since the management has decided to hive off the Cement project..

(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 earlier years as there is no further indication of impairment of assets since previous Balance Sheet .
- (i) Sundry debit and credit balances, inclusive of debtors and creditors, loans & advances etc. are subject to confirmation and reconciliation, if any, with regard to the same. Consequential adjustments in this respect, if any, will be made as and when ascertained.
- (j) The appeals filed against the BIFR Order dated 1st August 2005 have been adjudicated and the AAIFR has passed an Order on 8th December 2006, endorsing the validity of the Sanctioned Scheme and its implementation except in case of ARW divisions at Howrah. BIFR has been directed to re-examine the viability of the said divisions.
- (k) 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.
- (l) Previous years figures have been rearranged and regrouped, where necessary but are not strictly comparable since holding Company's accounts for 2006/07 figures pertains to the period from 1st April, 2006 to 1st April, 2007.

On behalf of the Board

As per our Report annexed

J. D. Curravala
Managing Director

G. Srinivasan
Director

J. N. Ghosh
Secretary

A. Chakrabarti
Vice-President (Finance)

Kolkata
16th April, 2007

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

CONSOLIDATED CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

	Rs. Lakhs	
	<u>For the year ended 1st April, 2007</u>	<u>For the year ended 31st March, 2006</u>
A. Cash flow from Operating Activities		
Net Profit/(Loss) before taxation and after exceptional items	51.21	1903.31
Adjustments for:		
Depreciation - Fixed Assets	853.09	846.09
Exceptional items (net)	-	(2494.93)
Profit/ (Loss) on sale / scrapping of fixed assets	(38.65)	43.60
Stores Written off	30.22	50.53
Foreign Exchange Loss (net)	(45.71)	31.47
Income on investment	(6.67)	(0.09)
Interest income	(8.28)	(16.02)
Provision for doubtful debts and advances (net)	10.35	30.09
Liability no longer required written back	(187.12)	(29.77)
Interest expense	544.78	537.14
	<u>1152.01</u>	<u>(1001.89)</u>
Operating Profit/(Loss) before Working Capital changes	1203.22	901.42
Adjustments for:		
Trade & Other receivables	(1036.34)	(434.06)
Inventories	694.40	(758.47)
Trade Payables	(450.79)	1378.45
Cash generation from operation	410.49	1087.34
Interest paid		-
Others	(565.75)	(277.71)
Direct taxes paid/refund	(14.65)	(17.57)
Cash flow before adjustments/exceptional items	(169.91)	792.06
Foreign Exchange (loss)/gain (net)	45.71	(31.47)
Exceptional items	-	(4309.20)
Net Cash from operating activities	<u>(124.20)</u>	<u>(3548.61)</u>
B. Cash Flow from investing activities		
Purchase of fixed assets	(3.10)	(50.53)
Sale of fixed assets	63.11	-
Purchase / Write back of Investments	-	(0.20)
Income on investment	0.16	0.09
Interest income	8.28	16.02
Net cash flow from investing activity	68.45	(34.62)

NOTICE

Notice is hereby given that the 77th Annual General Meeting of the Members of GKW Limited will be held on Thursday, 30th, August 2007 at 11.15 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 1st April, 2007, 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. J. D. Curavala who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. N. Biyani 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".

AS SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modifications thereof and subject to such other approvals, as may be necessary, the Company hereby approves the re-appointment of and remuneration payable to Mr. J.D. Curavala as Managing Director of the Company with effect from 11th August, 2007 for a period of 3 years upon the terms and conditions including remuneration as set out in the draft Agreement submitted to the Meeting and initialled by the Chairman for the purpose of identification, which Draft Agreement is hereby approved and sanctioned with liberty to the Board of Directors to act and vary the terms and conditions of the said re-appointment and/or Agreement within the limit specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto, as may be agreed to between the Board of Directors and Mr. J.D. Curavala".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take such steps and do all other acts, deeds and things as may be necessary and desirable to give effect to this Resolution."

"RESOLVED FURTHER THAT where in any financial year the Company has no profit or its profits are inadequate, the Company do pay to Mr. J.D. Curavala remuneration by way of salary, perquisites and other allowances as set out in the draft Agreement specified above, as the minimum remuneration for a period not exceeding 3 years from the date of re-appointment."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modifications thereof and subject to such other approvals, as may be necessary, the Company hereby approves the re-appointment of and remuneration payable to Mr. G. Srinivasan as a Wholetime Director of the Company with effect from 13th September, 2007 for a period of 3 years upon the terms and conditions including remuneration as set out in the draft Agreement submitted to the Meeting and initialled by the Chairman for the purpose of identification, which Draft Agreement is hereby approved and sanctioned with liberty to the Board of Directors to act and vary the terms and conditions of the said re-appointment and/or Agreement within the limit specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto, as may be agreed to between the Board of Directors and Mr. G. Srinivasan".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take such steps and do all other acts, deeds and things as may be necessary and desirable to give effect to this Resolution."

"RESOLVED FURTHER THAT where in any financial year the Company has no profit or its profits are inadequate, the Company do pay to Mr. G. Srinivasan remuneration by way of salary, perquisites and other allowances as set out in the draft Agreement specified above, as the minimum remuneration for a period not exceeding 3 years from the date of re-appointment."

Registered Office:
3A Shakespeare Sarani
Kolkata 700 071
Dated: 27th July, 2007

By Order of the Board

J. N. Ghosh
Company Secretary

NOTES:

- i) The Register of Members and Share Transfer Books will remain closed from 16th August, 2007 to 30th August, 2007, 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. J. D. Curravala	Mr. G. Srinivasan	Mr. P. N. Biyani
Age	67 years	63 years	70 years
Date of Appointment	11.08.1989	13.09.1997	27.08.2003
Qualifications	B.Com, A.C.A, LL.B	B.E.(Mech.), D.I.M.	B.Com, F.A.S.M.
Exposure in specific functional areas	Having wide experience in Finance, Administration, Corporate Management and Business operations	Having wide experience in Engineering and Operations	Having wide experience in Accounts, Finance, Secretarial and Legal
Directorship held in other companies (excluding foreign companies)	NIL	NIL	NIL
Member of Committee of Directors of other Companies	NIL	NIL	NIL
Shareholding in Company	NIL	NIL	500 (Five Hundred) Shares

EXPLANATORY STATEMENT

The Explanatory Statement for Item Nos. 5 to 6 of the accompanying Notice set out hereinabove is as under:

Resolution No. 5

The term of office of Mr. J.D. Curravala as the Managing Director of the Company shall expire on 10th August, 2007.

The Remuneration Committee of Directors approved the re-appointment and remuneration payable to Mr. J.D. Curravala as Managing Director of the Company for a period of 3 years with effect from 11th August, 2007 on the terms and conditions as set out in the draft Agreement ("the Agreement") between the Company and Mr. Curravala, pursuant to the provisions of Schedule XIII of the Companies Act, 1956 and recommended the same to the Board for its consideration and approval.

The Board of Directors of the Company ("the Board") at its Meeting held on 27th July, 2007 re-appointed Mr. J. D. Curravala as the Managing Director for a period of 3 years with effect from 11th August, 2007 on the terms and conditions as set out in the draft Agreement ("the Agreement") to be entered into between the Company and Mr. Curravala. The material terms of Mr. J.D. Curravala's appointment are as under:-

Mr. J. D. Curavala shall be the Managing Director of the Company for a period of 3 years with effect from 11th August, 2007 and shall perform such duties and exercise such powers as are or may from time to time be lawfully entrusted to and vested in him by the Board of the Company.

In consideration of his services he shall be entitled to the following by way of remuneration:

1. **Salary** : Rs.3,00,000 per month in the scale of Rs.2,00,000 - Rs.5,00,000 with an authority to the Remuneration Committee or the Board of Directors to fix in its absolute discretion and from time to time, within the scale stated above, the salary payable to Mr. Curavala.
2. **Commission** : In addition to the salary and perquisites, the Managing Director will be entitled to such commission based on the net profit of the company in any financial year not exceeding 1% of such profit as the Board or the Remuneration Committee shall decide having regard to the performance of the Company.
3. **Perquisites** : Mr. J. D. Curavala will be entitled to perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost of the Company in other cases) like the benefits of the Company's furnished accommodation, gas, electricity, water and furnishings, club fees, use of Company cars, personal accident insurance, medical reimbursement, leave and leave travel concession. The total perquisites will be currently restricted to Rs.50,000 per month.

Mr. J. D. Curavala will also be entitled to Provident fund, Superannuation Fund, Gratuity and other benefits, amenities and facilities in accordance with the Company's Scheme(s)/Rule(s) applicable in this regard.

In case Company-owned accommodation is not provided, Mr. J. D. Curavala shall be eligible for house rent allowance subject to a ceiling of 60% of his salary and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by the Company.

In the event of absence or inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Managing Director shall be the same as stated above, but shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

The draft Agreement provides for earlier determination in certain specified events and also sets out the mutual rights and obligations of the parties and other administrative details.

The Board recommends this Resolution for approval.

A copy of the draft Agreement referred to in the Resolution will be available for inspection by the Members at the Registered Office of the Company between the hours of 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting and will also be available at the meeting.

No Director except Mr. J.D. Curavala is concerned or interested in this Resolution.

STATEMENT PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956 TO BE CIRCULATED TO THE SHAREHOLDERS ALONG WITH THE NOTICE CALLING THE GENERAL MEETING ON 30th AUGUST, 2007.

I. General Information :-

- (1) Nature of industry

Engineering:

Manufacturing High Speed Steel, Alloy Steel and Engineering Products.

- (2) Date or expected date of commencement of commercial production

Not Applicable

- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

- (4) Financial performance based on given indicators

<u>Financial parameters</u>	<u>Year</u>				
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Turnover	6456	7306	8263	13019	13005
Net profit/(loss) (as computed under section 198)	(20848)	(23660)	(23293)	(24318)	(24214)
Net profit/(loss) as per profit and loss account	(2753)	(2548)	(2359)	2191	315
Amount of dividend paid	-	-	-	-	-

- (5) Export performance and net foreign exchange collaborations

Export of goods calculated on f.o.b. basis

(In Rs. Lacs)

<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
880.18	945.80	1202.13	1976.82	840.09

- (6) Foreign investments or collaborators, if any.

II. Information about the appointee :

- (1) Background details

Mr. J. D. Curavala shall be the Managing Director of the Company for a period of 3 years with effect from 11th August, 2007 and shall perform such duties and exercise such powers as are or may from time to time be lawfully entrusted to and vested in him by the Board of the Company.

In consideration of his services he shall be entitled to the following by way of remuneration:

- Salary** : Rs.3,00,000 per month in the scale of Rs.2,00,000 - Rs.5,00,000 with an authority to the Remuneration Committee or the Board of Directors to fix in its absolute discretion and from time to time, within the scale stated above, the salary payable to Mr. Curavala.
- Commission** : In addition to the salary and perquisites, the Managing Director will be entitled to such commission based on the net profit of the company in any financial year not exceeding 1% of such profit as the Board or the Remuneration Committee shall decide having regard to the performance of the Company.
- Perquisites** : Mr. J. D. Curavala will be entitled to perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost of the Company in other cases) like the benefits of the Company's furnished accommodation, gas, electricity, water and furnishings, club fees, use of Company cars, personal accident insurance, medical reimbursement, leave and leave travel concession. The total perquisites will be currently restricted to Rs.50,000 per month.

Mr. J. D. Curavala will also be entitled to Provident fund, Superannuation Fund, Gratuity and other benefits, amenities and facilities in accordance with the Company's Scheme(s)/Rule(s) applicable in this regard.

In case Company-owned accommodation is not provided, Mr. J. D. Curavala shall be eligible for house rent allowance subject to a ceiling of 60% of his salary and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by the Company.

In the event of absence or inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Managing Director shall be the same as stated above, but shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

The draft Agreement provides for earlier determination in certain specified events and also sets out the mutual rights and obligations of the parties and other administrative details.

The Board recommends this Resolution for approval.

A copy of the draft Agreement referred to in the Resolution will be available for inspection by the Members at the Registered Office of the Company between the hours of 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting and will also be available at the meeting.

No Director except Mr. J.D. Curavala is concerned or interested in this Resolution.

STATEMENT PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956 TO BE CIRCULATED TO THE SHAREHOLDERS ALONG WITH THE NOTICE CALLING THE GENERAL MEETING ON 30th AUGUST, 2007.

I. General Information :-

- (1) Nature of industry

Engineering:

Manufacturing High Speed Steel, Alloy Steel and Engineering Products.

- (2) Date or expected date of commencement of commercial production

Not Applicable

- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

- (4) Financial performance based on given indicators

Financial parameters

	<u>Year</u>					(In Rs. Lacs)
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	
Turnover	6456	7306	8263	13019	13005	
Net profit/(loss) (as computed under section 198)	(20848)	(23660)	(23293)	(24318)	(24214)	
Net profit/(loss) as per profit and loss account	(2753)	(2548)	(2359)	2191	315	
Amount of dividend paid	-	-	-	-	-	

- (5) Export performance and net foreign exchange collaborations

Export of goods calculated on f.o.b. basis

	(In Rs. Lacs)				
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
	880.18	945.80	1202.13	1976.82	840.09

- (6) Foreign investments or collaborators, if any.

II. Information about the appointee :

- (1) Background details

Mr. J.D. Curravala was born on 21st October, 1939 and on completion of his graduation from Bombay University qualified as a Chartered Accountant from the Institute of Chartered Accountants of India. He also obtained a bachelor's degree in law.

Mr. J. D. Curravala worked with Stewarts & Lloyds Limited, U.K. as Financial Accountant during April 1966 to January 1970. During these four years at U.K. he also attended a training course titled 'Production appreciation for Accountants'. He joined the Company in April 1970 as an Accountant in one of the operating divisions. He was soon promoted as Manager – Accounts of the division. In order to provide Mr. Curravala exposure to Company's operations he was appointed General Manager – Operations of a division in 1984 and later in 1987 he was appointed Chief Executive of a division with overall responsibility for achieving the budgeted profitability of the division. Following the restructuring of the Senior Management of the Company in 1988, Mr. Curravala was appointed Chief Executive – Finance with effect from 1.5.1988 and later from 11.8.1989 he was promoted as Director – Finance of the Company.

Mr. J. D. Curravala has attended the GKN Group (Management Development programme held in Cambridge, U.K. in 1978) which was followed by industrial visits to various establishments of the GKN Group in U.K. The Management Development programme of GKN is attended by Senior Executives of all GKN Group Companies located all over the world and the faculty is drawn from eminent personalities in various fields. The programme allows the nominee to gain rich experience through interaction with his colleagues from different parts of the world.

Mr. J. D. Curravala has over 41 years of experience of working in India and in U.K. He has the unique experience of working as General Manager – Operations of a division and as Chief Executive of a division which has allowed him to have a deep insight into the intricacies of Company's business which is extremely useful in his current assignment. As Director – Finance, Mr. Curravala had the overall responsibility for the effective and efficient functioning of the Finance, Budget, MIS, Accounts and Taxation functions of the Company. He was responsible for formulating the policies, procedures and systems relating to Financial Accounting, Cost Accounting, Funds procurement and management, Budgeting, Management information system and Taxation. He was responsible for all financial negotiations with banks, financial institutions and other external agencies. Management of working capital and appraisal of all capital expenditure proposals including their financial implications also formed part of Mr. Curravala's responsibility. He was responsible for ensuring availability of adequate funds for running the operations of the Company and also to ensure optimum utilization of all resources of the Company.

Considering the critical importance of finance function in the Company, Mr. Curravala was appointed a Wholetime Director of the Company designated as Director – Finance with effect from 11th August, 1989.

Mr. Curravala was part of the top management team which formulated and implemented the turnaround strategy for the Company and put it back on the path of profitability.

Thereafter, the Board of Directors of the Company appointed him as Managing Director of the Company with effect from 22nd June, 1995 which position he has been holding at present.

(2) Past remuneration

	<u>31-03-03</u>	<u>31-03-04</u>	<u>31-03-05</u>	<u>31-03-06</u>	<u>01-04-07</u>
Salary	780000	780000	1279032	1560000	1564274
Perquisites	119858	120000	410339	235789	240657
Others(*)	243100	243100	181226	486200	487532
Total:	<u>1142958</u>	<u>1143100</u>	<u>1870597</u>	<u>2281989</u>	<u>2292463</u>

* Others include P.F. Pension and Gratuity

(3) Recognition or awards

(4) Job profile and his suitability

Mr. J. D. Curravala has been working as Managing Director of the Company since June, 1995 for nearly 12 years. Mr. Curravala has been responsible for restructuring the Company and conceiving and implementing the turnaround strategy which resulted in the Company emerging from loss to profitability. Having regard to the qualifications, experience of Mr. J.D. Curravala as stated under BACKGROUND DETAILS, the Board of Directors of the Company is of the opinion that Mr. Curravala will be eminently suitable to continue as Managing Director of the Company for a further period of 3 years.

(5) Remuneration proposed

- Salary** : Rs.3,00,000 per month in the scale of Rs.2,00,000 - Rs.5,00,000 with an authority to the Remuneration Committee or the Board of Directors to fix in its absolute discretion and from time to time, within the scale stated above, the salary payable to Mr. Curravala.
- Commission** : In addition to the salary and perquisites, the Managing Director will be entitled to such commission based on the net profit of the company in any financial year not exceeding 1% of such profit as the Board or the Remuneration Committee shall decide having regard to the performance of the Company.
- Perquisites** : Mr. J. D. Curravala will be entitled to perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost of the Company in other cases) like the benefits of the Company's furnished accommodation, gas, electricity, water and furnishings, club fees, use of Company cars, personal accident insurance, medical reimbursement, leave and leave travel concession. The total perquisites will be currently restricted to Rs.50,000 per month.

Mr. J. D. Curravala will also be entitled to Provident fund, Superannuation Fund, Gratuity and other benefits, amenities and facilities in accordance with the Company's Scheme(s)/Rule(s) applicable in this regard.

In case Company-owned accommodation is not provided, Mr. J. D. Curravala shall be eligible for house rent allowance subject to a ceiling of 60% of his salary and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by the Company.

In the event of absence or inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Managing Director shall be the same as stated above, but shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or reenactment thereof.

- (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with reference to the country of his origin)

While approving the above remuneration, the Remuneration Committee considered the challenges posed by the growth opportunities in the engineering industry, the availability of senior managerial personnel at Board level and the comparative remuneration progression of such personnel in the recent context. The Committee also considered the achievement of the Managing Director in turning around the Company from loss making to a profit making Company and the responsibilities cast upon him for steering the Company in a competitive and growth oriented scenario in the engineering sector. The Committee also concluded that the profile of the incumbent Managing Director is eminently suited to the overall profile of this position and accordingly fixed the remuneration payable to him.

- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

NIL

III. Other information :

- (1) Reasons of loss or inadequate profits

Due to recession in the industry in general and engineering/automobile industry in particular, coupled with high interest burden and high manpower costs resulted in accumulated losses which arose in the earlier years. Even though the Company has made profit in the last two years, there was inadequacy of profit.

- (2) Steps taken or proposed to be taken for improvement

The Company has fully implemented the revival and rehabilitation scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) as modified by the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and restored the Company to profitability. The Company has already achieved net profit of Rs.315 lacs for the year 2006-07 ended on 1st April, 2007.

- (3) Expected increase in productivity and profits in measurable terms.

The rehabilitation scheme approved by BIFR was based on business, organizational and financial restructuring of the Company. The Company has already achieved fully the implementation of the BIFR Sanctioned Scheme as modified by AAIFR. The expected productivity and profits in measurable terms are as follows:

	2005-06		2006-07		2007-08	2008-09
	Forecast	Actual	Forecast	Actual	Forecast	Forecast
Net Sales	10570	13019	10627	13018	13700	13700
PBDIT	1293	3285 *	1269	1448	1500	1500

* includes exceptional items of Rs.2495 lakhs

Resolution No. 6

The term of office of Mr. Gopal Srinivasan as Wholetime Director of the Company shall expire on 12th September, 2007.

The Remuneration Committee of Directors approved the re-appointment and remuneration payable to Mr. Gopal Srinivasan as Wholetime Director for a period of 3 years with effect from 13th September, 2007 on the terms and conditions as set out in the Draft Agreement ("the Agreement") between the Company and Mr. Srinivasan, pursuant to the provisions of Schedule XIII of the Companies Act, 1956 and recommended the same to the Board for its consideration and approval.

The Board of Directors of the Company ("the Board") at its Meeting held on 27th July, 2007 approved the re-appointment and remuneration payable to Mr. Gopal Srinivasan as the Wholetime Director for a period of 3 years with effect from 13th September, 2007 on the terms and conditions as set out in the Draft Agreement ("the Agreement") to be entered into between the Company and Mr. Gopal Srinivasan. The material terms of Mr. Gopal Srinivasan's appointment are as under.

Mr. G Srinivasan shall be the Wholetime Director of the Company for a period of 3 years with effect from 13th September, 2007 and shall perform such duties and exercise such powers as are or may from time to time be lawfully entrusted to and vested in him by the Board and/or the Managing Director (MD) of the Company either alone or jointly with any other persons as the Board and/or the MD may from time to time impose.

In consideration of his services he shall be entitled to the following by way of remuneration :

1. **Salary** : Rs.2,25,000 per month in the scale of Rs.2,00,000 - Rs.5,00,000 with an authority to the Remuneration Committee or the Board of Directors to fix in its absolute discretion and from time to time, within the scale stated above, the salary payable to Mr. Gopal Srinivasan.

2. **Commission** : In addition to the salary and perquisites, the Wholetime Director will be entitled to such commission based on the net profit of the company in any financial year not exceeding 1% of such profit as the Board or the Remuneration Committee shall decide having regard to the performance of the Company.

3. **Perquisites** : Mr. Gopal Srinivasan will be entitled to perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost of the Company in other cases) like the benefits of the Company's furnished accommodation/House Rent Allowance, gas, electricity, water and furnishing, club fees, use of Company cars, personal accident insurance, medical reimbursement, leave and leave travel concession. The total perquisites will be currently restricted to Rs.50,000 per month.

Mr. Gopal Srinivasan will also be entitled to Provident fund, Superannuation Fund, Gratuity and other benefits, amenities and facilities in accordance with the Company's Scheme(s)/Rule(s) applicable in this regard.

In case Company-owned accommodation is not provided, Mr. Gopal Srinivasan shall be eligible for house rent allowance subject to a ceiling of 60% of his salary and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by the Company.

In the event of absence or inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Wholetime Director shall be the same as stated above, but shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

The Board recommends this Resolution for approval.

A copy of the draft Agreement referred to in the Resolution will be available for inspection by the Members at the Registered Office of the Company between the hours of 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting and will also be available at the meeting.

No Director except Mr. Gopal Srinivasan is concerned or interested in this Resolution.

STATEMENT PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956 TO BE CIRCULATED TO THE SHAREHOLDERS ALONG WITH THE NOTICE CALLING THE GENERAL MEETING ON 30th AUGUST, 2007.

I. General Information : -

(1) Nature of industry

Engineering:

Manufacturing High Speed Steel, Alloy Steel and Engineering Products.

(2) Date or expected date of commencement of commercial production

Not Applicable

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

(4) Financial performance based on given indicators

<u>Financial parameters</u>	<u>Year</u> (In Rs.Lacs)				
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Turnover	6456	7306	8263	13019	13005
Net profit/(loss) (as computed under section 198)	(20848)	(23660)	(23293)	(24318)	(24214)
Net profit/(loss) as per profit and loss account	(2753)	(2548)	(2359)	2191	315
Amount of dividend paid	-	-	-	-	-

(5) Export performance and net foreign exchange collaborations

Export of goods calculated on f.o.b. basis

	<u>(In Rs.Lacs)</u>				
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
	880.18	945.80	1202.13	1976.82	840.09

(6) Foreign investments or collaborators, if any.

II. Information about the appointee :

(1) Background details

Mr. G. Srinivasan was born on 29th June, 1944, joined the Company in 1967 as trainee engineer. Mr. Srinivasan is a graduate in mechanical engineering. After working in various departments Mr. Srinivasan was appointed as General Manager of the Company's Unit at Bangalore in 1986 and later in 1987 he was appointed Chief Executive of one of the operating divisions of the Company. Mr. Srinivasan was appointed a Wholtime Director in charge of operations of Western and Southern regions of the Company with effect from 7th April, 1988. Mr. Srinivasan has over 40 years' experience in various fields of industry and was personally responsible for the operations of Sankey Electrical Stampings and Screws & Fasteners Divisions and Heat Treated Products Unit of the Company. The aggregate turnover of these units was more than 60% of the total turnover of the Company. Mr. Srinivasan left the Company for a brief period between 1994 and 1997 and was again re-appointed as Wholtime Director on 13th September, 1997 for a period of 5 years.

The Board of Directors of the Company re-appointed him as Wholtime Director of the Company with effect from 13th September, 2007 which position he has been holding at present.

Mr. Srinivasan is part of the top management team which is in the process of implementing a turnaround strategy for the Company.

(2) Past remuneration

	<u>31-03-03</u>	<u>31-03-04</u>	<u>31-03-05</u>	<u>31-03-06</u>	<u>01-04-07</u>
Salary	600000	600,000	600000	1200000	1203288
Perquisites	300000	300000	300000	293364	300821
Others(*)	187000	187000	187000	374000	375825
Total:	<u>1087000</u>	<u>1087000</u>	<u>1087000</u>	<u>1867364</u>	<u>1879934</u>

* include P.F. Pension and Gratuity

(3) Recognition or awards

(4) Job profile and his suitability

Mr. G. Srinivasan has been working as Wholetime Director of the Company since September, 1997 for over 9 years. Having regard to the qualifications, experience of Mr. G. Srinivasan as stated under BACKGROUND DETAILS, the Board of Directors of the Company is of the opinion that Mr. Srinivasan will be eminently suitable to continue as Wholetime Director of the Company for a further period of 3 years.

(5) Remuneration proposed

1. **Salary** : Rs.2,25,000 per month in the scale of Rs.2,00,000 - Rs.5,00,000 with an authority to the Remuneration Committee or the Board of Directors to fix in its absolute discretion and from time to time, within the scale stated above, the salary payable to Mr. Srinivasan.

2. **Commission** : In addition to the salary and perquisites, the Wholetime Director will be entitled to such commission based on the net profit of the company in any financial year not exceeding 1% of such profit as the Board or the Remuneration Committee shall decide having regard to the performance of the Company.

3. **Perquisites** : Mr. Srinivasan will be entitled to perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost of the Company in other cases) like the benefits of the Company's furnished accommodation/House Rent Allowance, gas, electricity, water and furnishing, club fees, use of Company cars, personal accident insurance, medical reimbursement, leave and leave travel concession. The total perquisites will be currently restricted to Rs.50,000 per month.

Mr. G. Srinivasan will also be entitled to Provident fund, Superannuation Fund, Gratuity and other benefits, amenities and facilities in accordance with the Company's Scheme(s)/Rule(s) applicable in this regard.

In the event of absence or inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Wholetime Director shall not exceed the limits prescribed under the Companies Act, 1956, and the rules made thereunder or any statutory modification or re-enactment thereof.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with reference to the country of his origin)

While approving the above remuneration, the Remuneration Committee considered the challenges posed by the growth opportunities in the engineering industry, the availability of senior managerial personnel at Board level and the comparative remuneration progression of such personnel in the recent context. The Committee also considered the achievement of the Wholetime Director in turning around the Company from loss making to a profit making Company and the responsibilities cast upon him for steering the Company in a competitive and growth oriented scenario in the engineering sector as a part of the Top management team. The Committee also concluded that the profile of the incumbent Wholetime Director is eminently suited to the overall profile of this position and accordingly fixed the remuneration payable to him.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

NIL

III. Other information :

(1) Reasons of loss or inadequate profits

Due to recession in the industry in general and engineering/automobile industry in particular, coupled with high interest burden and high manpower costs resulted in accumulated losses which arose in the earlier years. Even though the Company has made profit in the last two years, there was inadequacy of profit.

(2) Steps taken or proposed to be taken for improvement

The Company has fully implemented the revival and rehabilitation scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) as modified by the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and restored the Company to profitability. The Company has already achieved net profit of Rs.315 lacs for the year 2006-07 ended on 1st April, 2007.

(3) Expected increase in productivity and profits in measurable terms.

The rehabilitation scheme approved by The Board for Industrial and Financial Reconstruction (BIFR) was based on business, organizational and financial restructuring of the Company. The Company has already achieved fully the implementation of the BIFR Sanctioned Scheme except Andul Road Works, Howrah. The expected productivity and profits in measurable terms are as follows:

	2005-06		2006-07		2007-08	2008-09
	Forecast	Actual	Forecast	Actual	Forecast	Forecast
Net Sales	10570	13019	10627	13018	13700	13700
PBDIT	1293	3285*	1269	1448	1500	1500

*includes exceptional items of Rs. 2495 lakhs

By Order of the Board

J N Ghosh
Company Secretary

Kolkata
27th July, 2007

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 77th Annual General Meeting of the Company held on 30th August, 2007.

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 _____

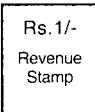
or failing him _____ of _____

or failing him _____ of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 77th Annual General Meeting of the Company to be held on 30th August, 2007 and at any adjournment thereof.

AS WITNESS my/our hand this _____ day of _____ 2007

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.

CONSOLIDATED CASH FLOW STATEMENT (PURSUANT TO LISTING AGREEMENT)

	Rs. Lakhs	
	<u>For the year ended 1st April, 2007</u>	<u>For the year ended 31st March, 2006</u>
C. Cash Flow from Financing activities		
Proceeds out of issue of shares (Equity & Preference)	2616.90	5300.00
Share premium	-	5750.00
Redemption of preference shares	(150.00)	-
Repayment to UTI & AGI	(501.33)	-
Loan from Bank	-	285.00
Inter corporate Deposit	(1300.00)	-
Repayment of borrowings & interest to Banks	(376.70)	(6475.34)
Repayment to Corporate Rupee Term Loan	(285.00)	-
(Increase) / Decrease in overdraft from Bank	306.31	(293.51)
Net cash flow from financing activities	310.18	4566.15
Exceptional items	-	(332.76)
Net increase in Cash and Cash equivalents (A+B+C)	254.43	650.16
Closing Cash and Cash Equivalents as on 01.04.06	878.49	228.33
Closing Cash and Cash Equivalents as on 01.04.07	<u>1132.92</u>	<u>878.49</u>

- Notes: 1. Figures in brackets represent cash outflow.
 2. Closing cash balance includes Margin Money (under lien) of Rs 237.74 Lakhs and Other deposits of Rs 3.50 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

A. Chakrabarti
Vice-President (Finance)

Kolkata
 16th April, 2007

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

14, Government Place East
 Kolkata
 16th April, 2007

for LODHA & CO
Chartered Accountants
 Aditya Saraogi
Partner

If undelivered, please return to:
C.B. Management Services Pvt. Ltd.
P-22, Bondel Road
Kolkata 700 019

Printed at Lalchand Roy & Co. Pvt. Ltd, Kolkata