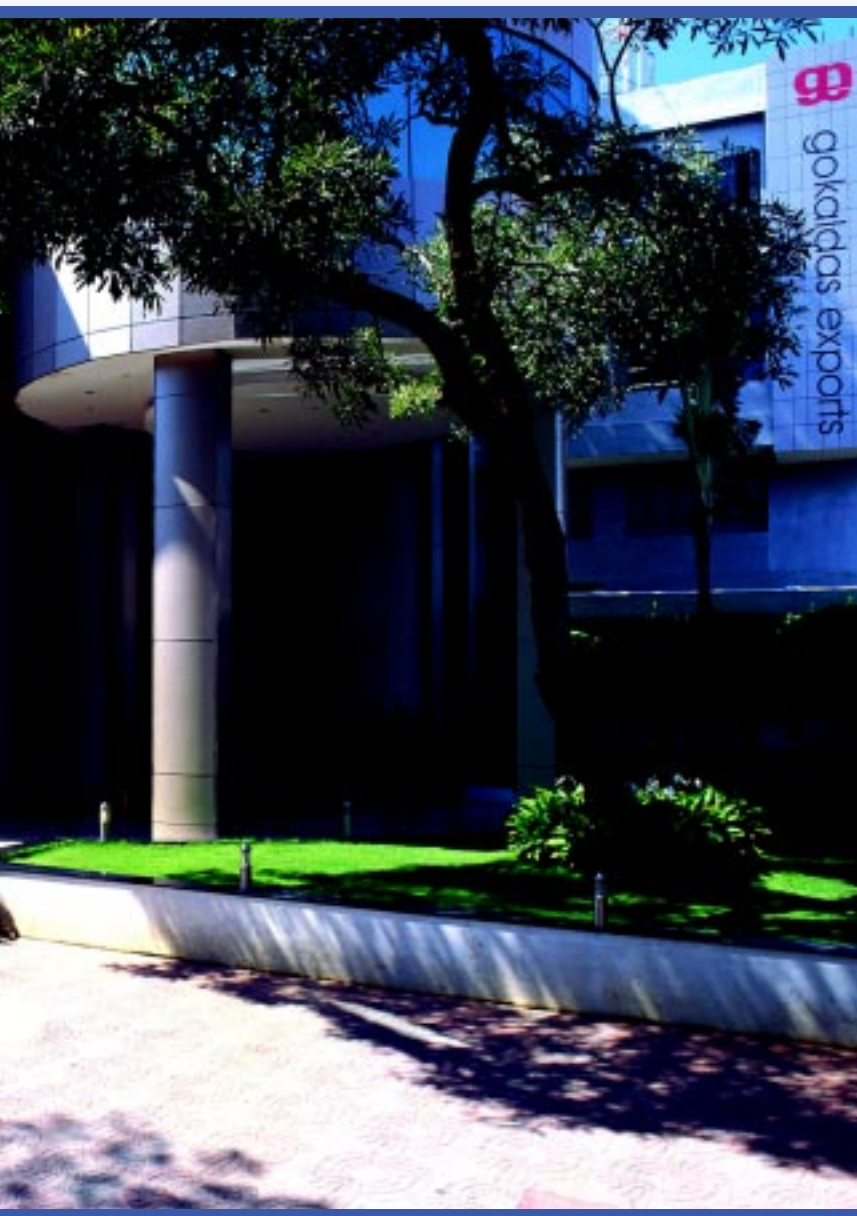


gokaldas exports Ltd







Gokaldas Exports Ltd - Corporate Office

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Registered Office	
No. 70, Mission Road	
Bangalore – 560 027, India	
Company Secretary	
M Venkata Subbaiah	
Statutory Auditors	
M/s RSM & Co	
Chartered Accountants	
"Ambit RSM House"	
449, Senapati Bapat Marg	
Lower Parel	
Mumbai – 400 013	
M/s Girish Murthy & Kumar	
Chartered Accountants	
4502, High Point IV	
45, Palace Road	
Bangalore – 560 001	
Bankers	
Canara Bank	
"Avenue Plaza"	
Avenue Road Branch	
Bangalore – 560 002	

Vision

To set a precedent in the global garment manufacturing industry through continuous innovation, exceptional products, focused services and enhanced customer satisfaction.

Mission

Deliver on-time, every time, anywhere in the world.

Keep a sharp eye on product quality and put in all efforts to raise the bar..... constantly.

Comply flawlessly with all statutory regulations required by our customers in any country.

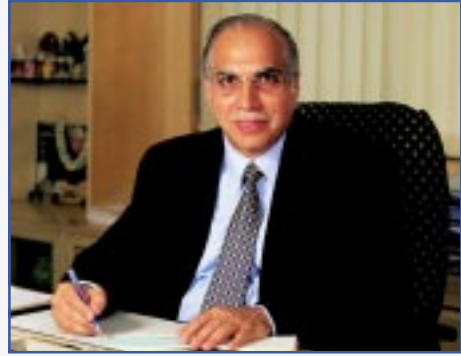
Augment and maintain a logistics infrastructure that adheres to the highest levels of efficiency that seamlessly blends with our customers' own supply chain.

Ensure escalating productivity standards at the lowest operating cost, thus offering our customers a product of the highest quality at the most competitive price.

BOARD OF DIRECTORS



Shri Madanlal J Hinduja
Chairman & Managing Director



Shri Rajendra J Hinduja
Executive Director-Finance & Administration



Shri Dinesh J Hinduja
Executive Director-Production & Marketing



Shri Pradip P Shah
Independent Director

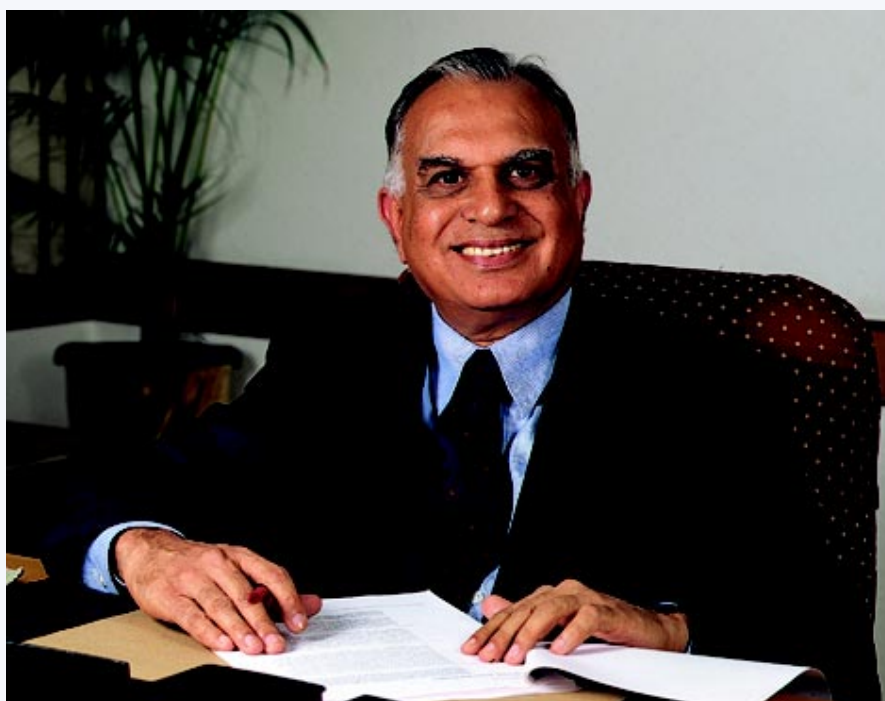


Shri H S Nagaraj
Independent Director



Shri K P Kumar
Independent Director

CHAIRMAN'S STATEMENT



Dear Shareholders,

The year 2005-06 has been an eventful year both for your company as well as the entire textile exporting community of India.

India as a country has done well in the first year after the elimination of quotas, and there has been a jump of nearly 22% in the nation's apparel exports. The thrust of the increase has been in both the big markets, namely USA and the EU.

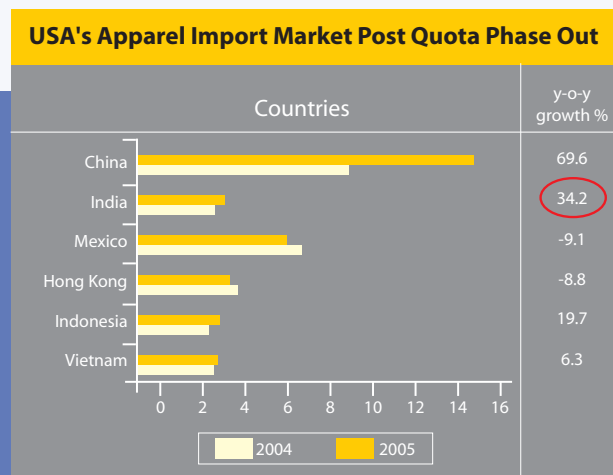
Readymade garment exports occupy a significant place in the economics of several developing countries. Clothing exports represent a substantial portion of the total merchandise exported for many nations, namely Bangladesh, Cambodia, Macau, Mauritius, Sri Lanka, etc. For India also, readymade garments constitute a fairly significant share, i.e., 10% of this merchandise exports for the financial year 2005-06.

The presence of several low cost manufacturers makes the Asian region the largest exporter, with the share of nearly 50% of the global exports. The leading exporting countries are China, Hong Kong, Turkey, Mexico, India, Romania and Bangladesh. India's share in the global apparel exports is approx. 3.5%.

Post dismantling of quotas, the changes in the global trade has been in line with the expectations with China leading the list, and India taking the second place with a substantial jump in its exports. The graph below indicates the position of various countries with respect to their exports to the US market.

To capitalize on the opportunities opened post dismantling of quotas, your company also has aggressively grown and expanded by setting up new manufacturing facilities in Bangalore.

The capex for 2005-06 stood at Rs. 86 crores, compared to Rs.39 crores for FY 2004-05. New units at Doddaballapur, Yeshwanthpur, a knit-wear unit on Hosur Road, and a modern laundry, all in Bangalore, have been established to generate bigger revenues, in keeping with the trend. The state-of-the-art laundry facility has been commissioned and is catering to the special requirements of the various big customers, namely Nike, Gap, A&F, etc.



Source: OTEXA

As an expansion plan for the current year, we intend to put up a plant for structured suits and other outer-wear.

The Indian textile industry is one of the largest industries in the world. The industry is currently estimated to be 46 billion and is growing at 20% per annum. With the abolition of quotas in 2005, Indian apparel industry grew by 22% to reach 16 billion in 2005. Indian exports also benefited during the latter half of the year due to several safeguards on China.

I am happy to inform you that your company did win the following Awards during the previous year.

1. Top Award for India's Largest Apparel Exporter, given by the Confederation of Indian Apparel Exporters, for the year 2004-05.
2. Award for Top Exporter, given by Clothing Manufacturers' Association of India, for the year 2004-05.
3. Highest Exporter Award, given by the Federation of Karnataka Chambers of Commerce and Industry, for the year 2004-05.
4. Highest Exporter Award for Readymade Garments, given by the Government of Karnataka, for the year 2004-05.

May 25, 2006,
Bangalore

Madanlal J Hinduja
Chairman



DIRECTORS' REPORT

Your Directors are pleased to present their Third Annual Report on the business and operations of your Company for the year ended 31st March, 2006.

Financial Results

(Rs. In lakhs)

Particulars	Year ended	Year ended
	31st March 2006	31st March 2005
Profit Before Tax	6794.04	4369.66
Less: Provision for Tax:	705.70	411.23
Profit after Tax	6088.34	3958.43
Balance brought forward from last Year	3476.46	293.73
Amount available for appropriation	9564.80	4252.16
Appropriations:		
Proposed dividend	515.64	343.76
Corporate dividend tax	84.59	35.94
General Reserve	610.00	396.00
Balance carried forward	8354.57	3476.46

The company reported turnover of Rs.86195.58 lakhs for the year ended 31st March, 2006 and profit after tax at Rs.6088.34 lakhs. The Company added new customers and existing buyers have increased their offtake resulting in higher turnover.

Operations Review

The year 2005 proved to be a watershed for the country's textile industry, with global trade in textiles opening up from January 1, 2005 and Indian exporters managing to score over competitors from most countries to make significant inroads in the US and the European Union markets.

After China, which was off to a flying start to capture the chunk of the Western markets for textile products, the Indian textile sector was the next best performer on the global scene following the quota phase-out, with the country increasing its share of textile and garment deliveries to the US and the EU by a quarter in the first nine months of 2005.

The new state-of-the-art laundry facility at Bangalore had been commissioned in June'06. This will give a big impetus to the sale of washed bottoms and special



CAD Cutting Machine

washed outerwear. Washed garments presently have a big demand from the Western Countries.

Our knit wear unit at Bangalore was commissioned this year and is well on track with a good productivity and steady flow of orders.

The expansion programme at Chennai, Hyderabad, Mysore and Bangalore is under progress.

The Chennai SEZ factory is under construction, and will be commissioned in this financial year.

The 9 acres of land at Hyderabad has been acquired in a centrally located industrial area at a cost of Rs. 2.5 crores and will have a built-up area of approx. 1 Lakh sq.ft. The Mysore plant will have a built-up area of 75,000 sq. ft.



Auto Surging

We have also initiated the process of buying the machinery for manufacture of structured suits and we intend to set up this suit plant in Bangalore very shortly. Suits are a value added product and there is a good demand for this segment of clothing from the western world. We hope to set up a world-class suit manufacturing plant in the present financial year and our clients have indicated a good requirement of the same. Suits will cover both areas, men's as well as ladies' suits, and we also would eventually look at manufacturing industrial clothing.

India is getting recognized as the main apparel source after China. The market indications are quite positive and very much in favour of India being recognized as a manufacturing hub for different kinds of textiles and apparels, especially in the value-added segment.

Gokaldas Exports has added new important clients in the past year and the growth rate seems optimistic.

Capital Structure

During the year, your company made a maiden public offering of 31,25,000 equity shares with a price band of Rs.375/- to Rs.425/- for which the subscription was open from 30th March to 6th April 2005. The issue received very good response and price was fixed at the upper band of Rs.425/- per equity share of Rs.10/-. With the allotment of 31,25,000 equity shares to the public on 20th April 2005, the paid up capital of the Company has gone up to Rs.17,18,80,000/-. As per the SEBI (Disclosure & Investor Protection) Guidelines, 2000, all fresh issue of shares to the public shall be in the dematerialized form only. Accordingly, to facilitate the public to hold the shares in the demat form, the Company entered into a tripartite agreement with National Securities Depository Limited (NSDL) Central Depository Services India Limited (CDSL) and Karvy Computershare Pvt. Ltd.

Dividend

Your directors recommend a dividend of Rs.3/- per share (30%) for the year ended 31st March 2006, an increase of 10% over the previous year ended 31st March 2005, subject to the approval of the shareholders at the ensuing Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of market hours on 9th August 2006 would be entitled for the dividend.

OUR FACILITIES



Cutting Section



Sewing Lines

OUR FACILITIES



Switch Track System



Finishing Section

OUR FACILITIES



Spider Printing Machine



Computer Aided Embroidery Machine

OUR FACILITIES



Printing Section



Quilting Section

Utilisation of IPO Proceeds

Out of Rs. 13281.25 lakhs raised through Initial Public Offer (IPO), Rs. 8831.25 lakhs have been utilised for setting up of new factories /units, modernisation/expansion of existing factories/units and towards issue expenses. The balance amount of Rs. 4450.00 lakhs is invested in liquid funds which would be utilised during the current financial year.

Subsidiary Companies

In line with the requirements of Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its subsidiaries, which were acquired by the Company on 1st December 2004. The Company has received approval from the Ministry of Company Affairs, Delhi vide order dated 16th January 2006 exempting the Company from attaching the annual accounts of the subsidiary Companies as required under section 212 of the Companies Act 1956. Accordingly, this annual report does not contain the annual accounts and other information of the following subsidiary companies:

- i. All Colour Garments Private Limited
- ii. Deejay Trading Private Limited
- iii. Glamourwear Apparels Private Limited
- iv. Madhin Trading Private Limited
- v. Magenta Trading Private Limited
- vi. Rafter Trading Private Limited
- vii. Rajdin Apparels Private Limited
- viii. Reflexion Trading Private Limited
- ix. Rishikesh Apparels Private Limited
- x. Seven Hills Clothing Private Limited
- xi. SNS Clothing Private Limited
- xii. Vignesh Apparels Private Limited



Embroidery Unit

Any shareholder interested in obtaining a copy of accounts and other information pertaining to any/all subsidiaries may write to the Company Secretary at the registered office of the Company and the same will be sent by post.

Corporate Governance

Your Company is committed to good corporate governance, firmly believes in and consistently follows good corporate governance practices, leading to a very high level of transparency in accounting and reporting to its shareholders.

As per the revised clause 49 of the Listing Agreement with the Stock Exchanges, which became effective 1st January 2006, the Company has adopted a code of Conduct for the Board and the Senior Management. A report on the Corporate Governance and a certificate from the Auditors of the Company is set out in the annexure to the Directors' Report. The Company has fully complied with the Corporate Governance practices specified under the Listing Agreement with Stock Exchanges.

Management's Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is given separately under the head "Management's Discussion and Analysis".

Listing

The equity shares of the Company are listed on the Bombay Stock Exchange (BSE) and National Stock Exchange of India (NSE). The Company's shares are tradeable compulsorily in the dematerialized form and the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

Directors

Shri Madanlal J Hinduja and Shri H S Nagaraj, Directors retire by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Shri Madanlal J Hinduja holds Bachelor of Commerce degree from Bangalore University. He has more than 3 decades of experience in the textile and apparel industry. He is one of the leaders in the Indian apparel export industry. He was awarded the Life Time Achievement Pioneer Award by the Confederation of Indian Apparel Exporters (CIAe) in 2002.

Shri Madanlal Hinduja is involved in the business of Gokaldas Exports Group since its inception. He is responsible for sourcing of fabrics and provides strategic direction to our company. He also provides strategic direction to our efforts in creating, designing and developing new fabrics by conceiving new and modern innovations in weaving, dyeing and processing of fabrics. He is Chairman and Managing Director of the Company.

Shri H S Nagaraj is a graduate of Bachelor of Arts from Mysore University and Fellow of Chartered Management Institute, UK and has been in business for nearly 45 years. He promoted Aviation Travels Private Limited, Swiss World Cargo Private Limited and Airline Marketing Services Private Limited representing multinationals in India.

He is a non –executive and independent director of the Company.

Names of the Companies* / firms in which Directors of the Company hold / held office as Director / Partner are given below:

Shri Madanlal J Hinduja

- ❖ Parichay Investments Limited
- ❖ Vag Exports Private Limited
- ❖ JVN Exports Private Limited
- ❖ Poly Products Private Limited
- ❖ Maze Trading Private Limited
- ❖ Rafter Trading Private Limited
- ❖ Reflexion Trading Private Limited
- ❖ Madhin Trading Private Limited
- ❖ Magenta Trading Private Limited
- ❖ Deejay Trading Private Limited
- ❖ Dazzle Trading Private Limited
- ❖ Rishikesh Apparels Private Limited
- ❖ All Colour Garments Private Limited
- ❖ Vignesh Apparels Private Limited
- ❖ Glamourwear Apparels Private Limited
- ❖ Seven Hills Clothing Private Limited
- ❖ Rajdin Apparels Private Limited
- ❖ SNS Clothing Private Limited

* Includes Private Companies and Foreign Companies



Label Manufacturing Loom

DIRECTORS' REPORT

- ❖ Robot Systems Private Limited
- ❖ Gokaldas Exports Apparel & Textile Park Private Limited
- ❖ DMR Enterprises (Partner)

Shri Rajendra J Hinduja

- ❖ Apparel Export Promotional Council, Delhi
- ❖ Aviation Travels Private Limited
- ❖ Parichay Investments Limited
- ❖ Vag Exports Private Limited
- ❖ JVN Exports Private Limited
- ❖ Poly Products Private Limited
- ❖ Rapple Trading Private Limited
- ❖ Rafter Trading Private Limited
- ❖ Reflexion Trading Private Limited
- ❖ Madhin Trading Private Limited
- ❖ Magenta Trading Private Limited
- ❖ Deejay Trading Private Limited
- ❖ Dazzle Trading Private Limited
- ❖ Rishikesh Apparels Private Limited
- ❖ All Colour Garments Private Limited
- ❖ Vignesh Apparels Private Limited
- ❖ Glamourwear Apparels Private Limited
- ❖ Seven Hills Clothing Private Limited
- ❖ Rajdin Apparels Private Limited
- ❖ SNS Clothing Private Limited
- ❖ Robot Systems Private Limited
- ❖ Gokaldas Exports Apparel & Textile Park Private Limited
- ❖ DMR Enterprises (Partner)



Fabric Cutting Machine

Shri Dinesh J Hinduja

- ❖ Parichay Investments Limited
- ❖ Vag Exports Private Limited
- ❖ JVN Exports Private Limited
- ❖ Poly Products Private Limited
- ❖ Dice Trading Private Limited
- ❖ Rafter Trading Private Limited
- ❖ Reflexion Trading Private Limited
- ❖ Madhin Trading Private Limited
- ❖ Magenta Trading Private Limited
- ❖ Deejay Trading Private Limited
- ❖ Dazzle Trading Private Limited
- ❖ Rishikesh Apparels Private Limited
- ❖ All Colour Garments Private Limited
- ❖ Vignesh Apparels Private Limited
- ❖ Glamourwear Apparels Private Limited
- ❖ Seven Hills Clothing Private Limited
- ❖ Rajdin Apparels Private Limited



Laundry Unit

- ❖ SNS Clothing Private Limited
- ❖ Robot Systems Private Limited
- ❖ Gokaldas Exports Apparel & Textile Park Private Limited
- ❖ DMR Enterprises (Partner)

Shri Pradip P Shah

- ❖ AMP IndAsia Fund Advisors (Mauritius) Ltd., (Mauritius)
- ❖ Asset Reconstruction Company (India) Limited
- ❖ BASF India Limited
- ❖ Bombay Stock Exchange Limited
- ❖ Godrej & Boyce Mfg Limited
- ❖ Grindwell Norton Limited
- ❖ Hardy Oil & Gas Limited (UK)
- ❖ IndAsia Fund Advisors Private Limited (Chairman)
- ❖ Panasonic Battery India Company Limited
- ❖ Pfizer Limited
- ❖ Patni Computers Systems Limited
- ❖ Shah Foods Limited (Chairman)
- ❖ Sonata Software Limited
- ❖ Supra Advisors (BVI) Limited (British Virgin Islands)
- ❖ The Shipping Corporation of India Limited
- ❖ Taib Bank EC (Bahrain)
- ❖ Vakrangee Software Limited
- ❖ Wartsila India Limited

Shri K P Kumar

- ❖ Yokogawa India Ltd
- ❖ The Karur Vysya Bank Ltd

Shri H S Nagaraj

- ❖ Aviation Travels Private Limited
- ❖ Swiss World Cargo India Private Limited
- ❖ Airline Marketing Services Private Limited



Cord Making

Audit Committee

The Company has set up an Audit Committee in 2005 with three independent directors viz. Shri Pradip P Shah as Chairman and Shri K P Kumar and Shri H S Nagaraj as members. The Committee has met four times during the year ended 31st March 2006 and the scope of activities of the Committee is in compliance with the revised clause 49 of the Listing Agreement with the Stock Exchanges.

The Powers and role of the Audit Committee is set out as part of the Report on Corporate Governance.

Auditors

M/s RSM & Co., Chartered Accountants and M/s Girish Murthy & Kumar, Chartered Accountants appointed by the Shareholders in the last Annual General Meeting held on 10th August 2005, as Joint Auditors, will retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) In the preparation of annual accounts the applicable accounting standards have been followed by the Company.
- b) Appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the Profit of the Company for the year ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a "going concern" basis.

Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo

In pursuance of the provisions of section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given below

- A. Conservation of Energy
The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the consumption of energy on continued basis.
- B. Technology absorption, adaptations and innovation
Not Applicable
- C. Foreign Exchange Earnings and Outgo
Foreign Exchange earned : Rs. 85993.18 lakhs
Out go : Rs. 43831.64 lakhs

New Manufacturing Unit at Dodaballapur - "Indigo Blues"



Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per provisions of section 219(1)(b)(iv) of the Companies Act, 1956, this Report and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under section 217 (2A) of the Companies Act 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of the Company and same will be sent by post.

Acknowledgements

You Directors thank the Company's business associates/customers, vendors and bankers for their continued support. Your Directors place on record their appreciation for the significant contribution made by the employees, who have been instrumental in enabling your company to achieve good progress during the year.

For and on behalf of the Board of Directors

Bangalore
May 25, 2006

Madanlal J Hinduja
Chairman & Managing Director

New Manufacturing Unit at Yeshwantpur - "Triangle Apparel Unit V"



CORPORATE GOVERNANCE REPORT

(A) Corporate Governance Philosophy

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

(B) Board of Directors

The Composition of the Board of Directors of the Company is governed by the provisions of the Companies Act 1956, the Articles of Association of the Company and clause 49 of Listing Agreement with the Stock Exchanges. The Board has a current strength of six directors with a combination of executive and non-executive directors. Shri Madanlal J Hinduja is Executive Chairman of the Company and Shri Pradip P Shah, Shri K P Kumar and Shri H S Nagaraj are non-executive Independent directors, who constitute 50% of the Board's composition.

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

(i) Composition of the Board of Directors:

Sl. No.	Name of Director	Executive/ Non-Executive	No. of other Directorships*	Committee* Memberships	Committee* Chairmanships
1)	Shri Madanlal J Hinduja Chairman & Managing Director	Promoter / Executive	21	1	Nil
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	Promoter/ Executive	23	1	Nil
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	Promoter/ Executive	21	1	Nil
4)	Shri H.S. Nagaraj	Non-Executive & Independent	4	2	Nil
5)	Shri K.P. Kumar	Non-Executive & Independent	3	3	2
6)	Shri Pradip P Shah	Non-Executive & Independent	18	10	4

* includes private limited and foreign companies.

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

(ii) (a) Board Meetings

The Board meets at least once a quarter and five meetings were held during the financial year 2005-2006 on April 20, 2005, June 18, 2005, July 26, 2005, October 24, 2005 and January 27, 2006.

The attendance of each Director at these meetings and at the last Annual General Meeting was as follows:

Sl. No.	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1)	Shri Madanlal J Hinduja Chairman & Managing Director	5	5	Present
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	5	4	Present
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	5	4	Present
4)	Shri Pradip P Shah	5	2	Present
5)	Shri H.S. Nagaraj	5	4	Present
6)	Shri K.P. Kumar	5	4	Present

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

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

- ❖ Minutes of Audit and shareholders grievances redressal committees, as well as abstracts of circular resolutions passed.
- ❖ General Notice of interest of directors
- ❖ Annual / quarterly budgets, capital budgets and updates
- ❖ Quarterly / half yearly / annual financial results
- ❖ Dividend data
- ❖ Materially important litigations, show cause notices, demand, prosecution and penalty notices
- ❖ Details of any joint venture, acquisitions of companies or collaboration agreements
- ❖ Utilization of IPO proceeds
- ❖ Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement
- ❖ Non compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non payment of dividend or delays
- ❖ Information on recruitment of senior officers just below the Board level including appointment or removal of General Managers and Company Secretary

(c) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between us and our directors, management, subsidiaries or relatives of directors except for those disclosed in the financial statements for the year ended 31st March 2006.

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

Directors have furnished Notice of Disclosure of interest as required under section 299(1) of the Companies Act, 1956 for the year 2006-07. Any changes in their directorships / interest during the year would be disclosed to the Board as when such change occurs. The Company maintains Register of Contracts, Companies and Firms in which Directors are interested as provided under section 301(1) of the Companies Act, 1956.

(C) Board Committees

Presently, the Board has two committees: the Audit Committee and the Shareholders Grievances Redressal Committee. The Audit Committee consists of entirely of independent directors whereas Shareholders Grievances Redressal Committee consists of three executive directors and two non-executive independent directors. Normally, the committees meet four times in a year, once in each quarter. The minutes of these committee meetings are submitted to the Board for approval/confirmation.

(i) Audit Committee

The Audit Committee comprises solely of 3 independent directors, namely:

Shri Pradip P Shah
Shri H.S. Nagaraj
Shri K.P. Kumar

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

Shri Pradip P Shah is the Chairman of the Audit Committee. The Executive Director – Finance, the Statutory Auditors and the Internal Auditors are invitees to the meeting. The Company Secretary is the Secretary to the Audit Committee. Shri Pradip P Shah, Chairman of the Audit Committee attended the last Annual General Meeting held on August 10, 2005.

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

The principal functions of the committee are:

- ❖ Oversight (supervision, direction and control) of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ❖ Discussion with the Auditors periodically about the internal control systems and the scope of audit including observations of the Auditors.

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

Audit Committee attendance:

Four Audit Committee meetings were held during the financial year 2005-06. These were held on June 18, 2005, July 26, 2005, October 24, 2005 and January 27, 2006.

Name	No. of Meetings Held	Attended
Shri Pradip P Shah	4	2
Shri K P Kumar	4	3
Shri H S Nagaraj	4	4

(ii) Shareholders Grievances Redressal Committee:

The Shareholders Grievances Redressal Committee is headed by an independent director and consists of the following directors:

Sl No.	Name of Director	Designation
1.	Shri K.P. Kumar	Chairman
2.	Shri H.S. Nagaraj	Member
3.	Shri Madanlal J Hinduja	Member
4.	Shri Rajendra J Hinduja	Member
5.	Shri Dinesh J Hinduja	Member

Mr. M Venkata Subbaiah , Company Secretary is the Compliance Officer for the Company.

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

Two Shareholders' Grievances Redressal Committee meetings were held during the financial year 2005-06 on June 18, 2005 and January 27, 2006.

Name	No. of Meetings Held	Attended
Shri K P Kumar	2	1
Shri H S Nagaraj	2	2
Shri Madanlal J Hinduja	2	2
Shri Rajendra J Hinduja	2	2
Shri Dinesh J Hinduja	2	2

The following table shows the nature of complaints / correspondence received from the shareholders / investors during the financial year 2005-06 all of which have been resolved and at the end of year, there were no complaints pending unresolved/ unattended as on 31st March 2006:

Nature of Complaint/correspondence	Received	Resolved	Pending
Non-receipt of dividend warrants	9	9	0
Non-receipt of Annual Report	4	4	0
Non-receipt of refund orders	262	262	0
Non-credit of securities/electronic credit of shares	85	85	0
TOTAL	360	360	0

(D) Annual General Meetings

The Company was incorporated on March 1, 2004 under Part IX of the Companies Act 1956 through conversion of a partnership firm into a limited company. Details of last two Annual General Meetings (AGM) of the Company are detailed below:

Year	Venue / Location	Day and date	Time
2004	Registered office: No.70, Mission Road Bangalore - 560027	Saturday, July 31, 2004	12.00 Noon
2005	Hotel Grand Ashok Kumarakrupa Road , High Grounds Bangalore - 560001	Wednesday, August 10, 2005	10.30 AM

The following special resolutions were passed by the members during the above Annual General Meetings:

Annual General Meeting held on July 31, 2004:

- ❖ No special resolutions were passed

Annual General Meeting held on August 10, 2005:

- ❖ Payment of remuneration to Chairman & Managing Director, Shri Madanlal J Hinduja
- ❖ Payment of remuneration to Executive Director – Finance & Administration, Shri Rajendra J Hinduja
- ❖ Payment of remuneration to Executive Director- Production & Marketing, Shri Dinesh J Hinduja
- ❖ Amendment of articles by addition / substitution of new articles
- ❖ Keeping the register of members, index of members, returns and copies of certificates and documents in the office of Karvy Computershare Private Limited, the Company's Registrars & Share Transfer Agents.

(E) Postal Ballots

For the year ended March 31, 2006, there are no ordinary or special resolutions that need to be passed by our shareholders through a postal ballot.

(F) Auditors' Certificate of Corporate Governance

As required under clause 49 of the Listing Agreement, the Auditors' certificate is given as an annexure to the Directors' Report.

(G) CEO/CFO Certification

As required by clause 49 of the Listing Agreement, the certificate issued by the Chairman / Executive Director - Finance is provided elsewhere in the Annual Report.

(H) Disclosures

(i) Disclosures on materially significant related party transactions

The related party transactions during the year ended March 31, 2006 have been listed in the notes to the accounts. Shareholders may please refer the same.

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

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

(I) Means of Communication

The annual audited financial results, the quarterly / half yearly unaudited financial results are generally published in ***The Economic Times, Business Line and Kannada Prabha / Samyukta Karnataka*** (a regional daily published from Bangalore). These results will also be posted on the Company's website at www.gokaldasexports.com.

Other information like shareholding pattern (quarterly), Corporate Governance Report, Memorandum and Articles of Association of the Company (with amendments thereof), Annual Reports etc. are also posted on our website as soon as they are released / published.

(J) Investor Grievances and Share Transfer

We have a Board level investor grievances committee to examine and redress shareholders' and investors' complaints. The status on complaints and share transfers is reported to the Board. For matters like dividends, change of address, physical share certificates (remat) etc., shareholders should communicate with Karvy Computershare Private Limited, our registrar and share transfer agent. Their address is given in the section on *General Shareholder Information*.

(K) Disclosure regarding appointment / reappointment of directors

According to the Articles of Association, one third of the directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of shareholders. Shri Madanlal J Hinduja and Shri H S Nagaraj will retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors.

The detailed resumes of the above two retiring directors are provided in the section on *General Shareholder Information*.

(L) Management Discussion & Analysis

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

(M) Compliance with Non-mandatory requirements of clause 49 of the Listing Agreement

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

The Clause further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosure of compliance of mandatory requirements and non-compliance of non-mandatory requirements shall be made in the section on *Corporate Governance* in the Annual Report. We comply with the following non-mandatory requirements of Corporate Governance:

(i) The Board

The clause states that independent directors may have a tenure not exceeding , in the aggregate, a period of nine years, on our Board.

None of the Independent directors on our Board have served for a tenure exceeding nine years from the date of their induction / new clause 49 became effective.

(ii) Shareholders Rights

The Clause states that a half yearly declaration of financial performance including summary of significant events in the last six months, may be sent to each shareholders.

We communicate with investors through email, video/ audio conference etc., atleast once in a quarter after our audited / un-audited results are announced / published. We also post the financial results, performance review etc., on our website www.gokaldasexports.com, the fact of which is communicated through emails to the investors.

General Shareholders' Information

(i) Annual General Meeting

Day, date and time : Thursday, August 17, 2006 at 10.30 AM

Venue : Banquet Hall, The Hotel Grand Ashok
Kumara Krupa Road, High Grounds
Bangalore - 560 001.

Agenda:

- 1) Adoption of Audited Accounts, Directors' & Auditors' Report thereon for the year ended 31st March 2006.
- 2) Re-appointment of Shri Madanlal J Hinduja and Shri H S Nagaraj, Directors
- 3) Re-appointment of M/s. RSM & Co, Chartered Accountants and M/s. Girish, Murthy & Kumar, Chartered Accountants as Joint Statutory Auditors
- 4) Declaration of Dividend

- 5) Increase the borrowing limits and vesting powers with the Board of Directors for increased limits
- 6) Appointment of Shri Gaurav D Hinduja as Chief Operating Officer and fixation of remuneration

(ii) The profile of Directors seeking re-appointment

(a) Shri Madanlal J Hinduja

Shri Madanlal J Hinduja holds a Bachelors degree in Commerce from the Bangalore University. He has been involved in the business since the Company's inception.

Shri Madanlal Hinduja is one of the leaders in the Indian apparel export industry. He was awarded the Life time achievement Pioneer Award by the Confederation of Indian Apparel Exporters (CIAe) in 2002.

He provides strategic direction to the Company and is also responsible for sourcing of fabrics. He also provides strategic direction in creating, designing and developing new fabrics by conceiving new and modern innovations in weaving, dyeing and process of fabrics.

Presently, Shri Madanlal Hinduja is Chairman and Managing Director of the Company. The details of his other directorships and memberships in other companies / committees are provided in the Directors' Reports, which forms part of this Annual Report.

(b) Shri H S Nagaraj

Shri H S Nagaraj is a graduate in Bachelors of Arts from Mysore University and Fellow of Chartered Management Institute from United Kingdom (UK). He has been in the business for more than four decades and his expertise comes from management, law, marketing and financial management.

He has promoted M/s Aviation Travels Private Limited and few other companies. His directorships and memberships in the other Companies Boards' / Committees' are provided in the Directors Report, which forms part of this Annual Report.

(iii) Financial Calendar

Indicative calendar of events for the financial year 2006-2007 excluding Extraordinary General Meetings, if any, is as under:

First Quarter Financial Results (June 2006)	July, 2006
Annual General Meeting	August 17, 2006
Second Quarter Financial Results (September 2006)	October, 2006
Third Quarter Financial Results (December 2006)	January 2007
Fourth Quarter / Audited Financial Results (March 2007)	May/June 2007

(iv) Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of dividend from August 10, 2006 to August 17, 2006 (both days inclusive).

(v) Dividend

The dividend recommended by Directors, on approval by the members at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Company's Register of Members as at the end of the day of August 9, 2006.

(vi) Listing on Stock Exchanges

The Company's equity shares are listed at the following Stock Exchanges located at :

Addresses of the Stock Exchanges

The Stock Exchange, Mumbai (BSE)

The Stock Exchange, Mumbai (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI - 400 001, Maharashtra
Phones : 91- 22 – 22721233 / 22721234
Fax : 91- 22 – 22723677 / 22722082

National Stock Exchange, Mumbai (NSE)

The National Stock Exchange of India Ltd (NSE),
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex
Bandra (E)
MUMBAI – 400 051, Maharashtra
Phones : 91 – 22 – 26538100 / 56418100
Fax : 91 – 22 – 26598237 / 38, 26598120

The Stock Code of the Company is

BSE – 532630
NSE – GOKEX

The ISIN No for the Company's Equity Shares in Demat form

INE 887G01019

Depository Connectivity

NSDL and CDSL

(vii) Listing Fee

Paid for all the above exchanges for the year 2006-07

(viii) Registered Office

No. 70, Mission Road, Bangalore – 560027
Karnataka, India
Phones: 91 – 80 – 22223600 / 1 / 2 / 41272200
Fax: 91 – 80 – 22274869 / 22277497
Email: gokex@vsnl.com

CORPORATE GOVERNANCE REPORT

(ix) Corporate Identification Number

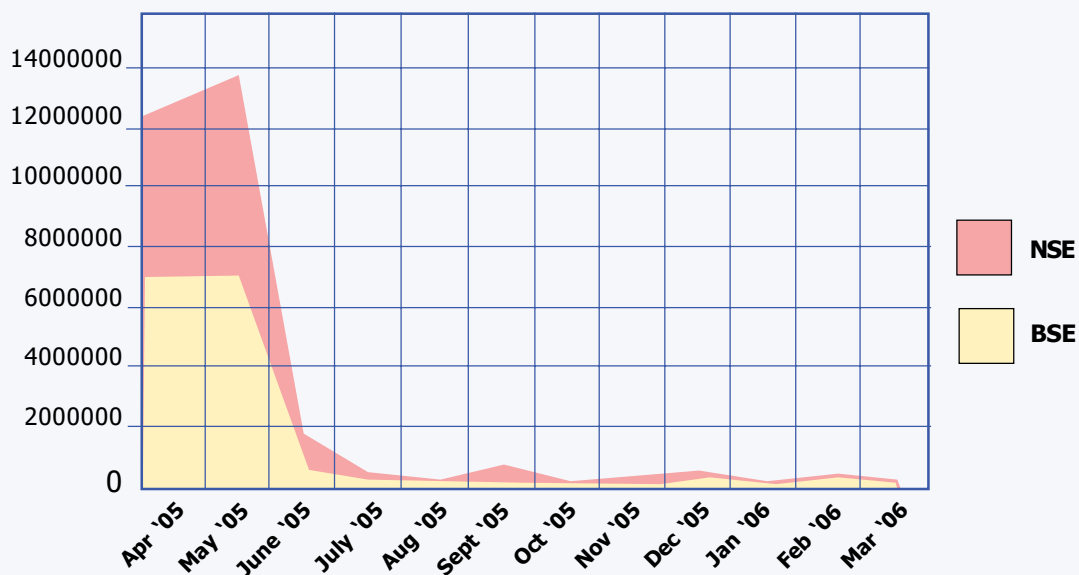
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(x) Stock Market Data

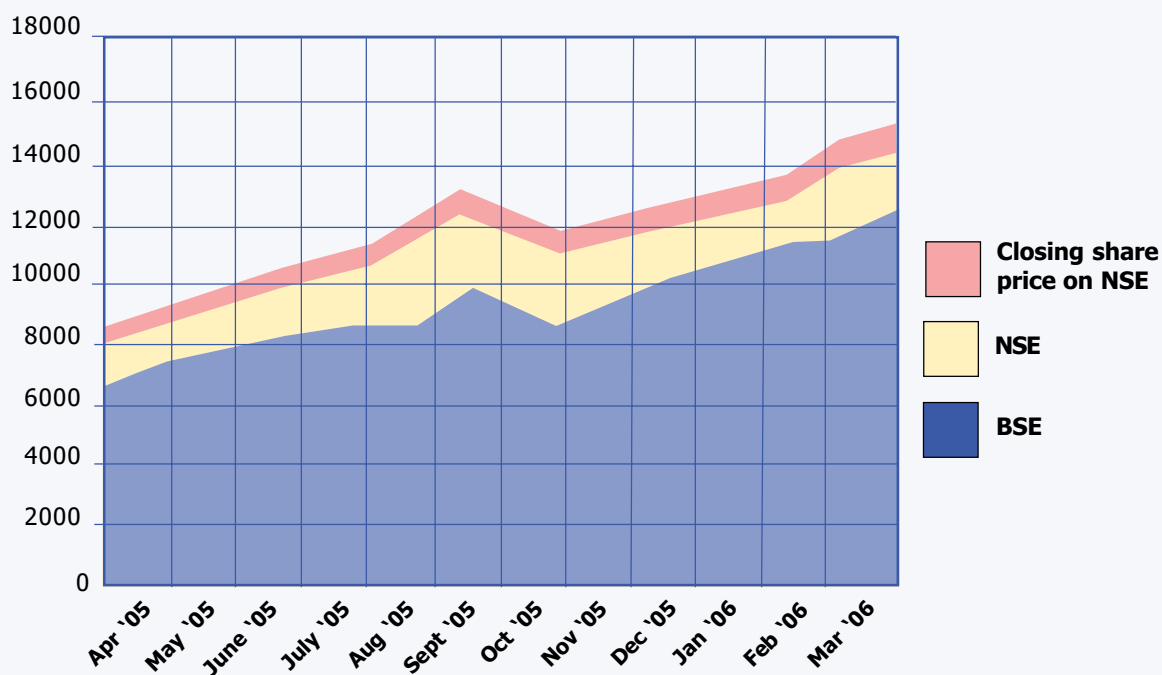
(a) Monthly high and low quotations along with volume of shares traded at BSE and NSE for 2005-06 are:

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April'05	665	566	7113092	669	500	12982202
May'05	713	611	7033461	705	601	13747874
June '05	705	562	809909	706	564	1830560
July'05	594	510	246832	655	532	489690
August '05	563	498	167534	560	491	250635
September'05	574	485	260423	574	495	564894
October'05	564	469	111472	562	448	225491
November'05	599	506	115057	596	510	353789
December'05	665	560	309823	699	568	394599
January'06	639	530	107568	626	549	167325
February'06	714	595	215760	725	570	289025
March'06	809	570	136482	803	662	146391
Total			16627413			31442475

(b) Graphical representation of volume of shares traded during April 2005 – March 2006



(c) Comparison of broad based indices with share price of Gokaldas Exports Limited



(d) Market Capitalization

The market capitalization of the company as on March 31, 2006 is Rs.134882.83 lakhs on Bombay Stock Exchange (BSE) and Rs.134753.92 lakhs on National Stock Exchange (NSE).

(xi) Shareholding Pattern

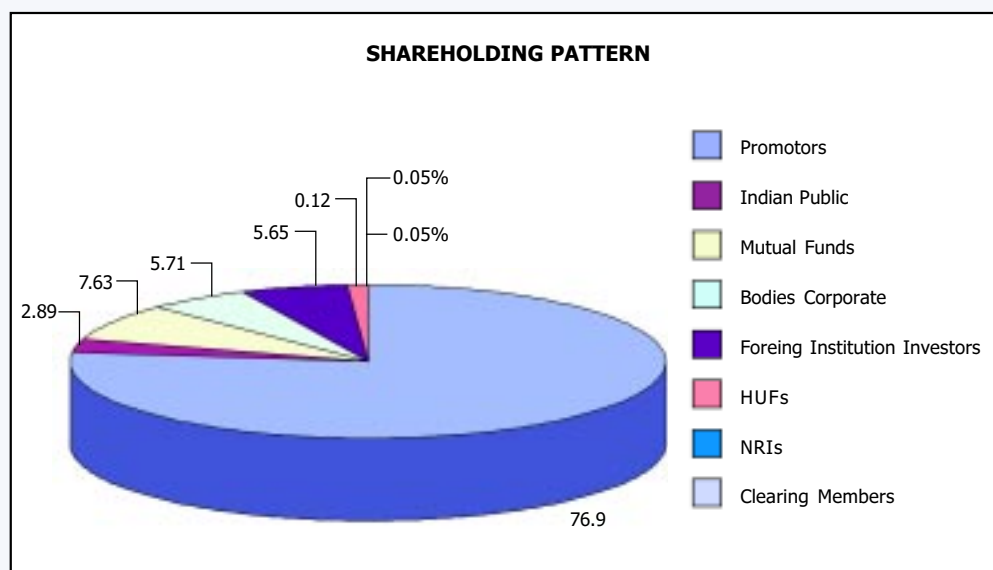
Equity Shares of Rs. 10/- each

	As on 30.04.2006		As on 30.04.2005	
Shareholders	No. of Shares	%	No. of Shares	%
Promoters	13218000	76.90	13218000	76.90
Resident Individuals	497459	2.89	1079140	6.28
Mutual Funds	1311317	7.63	1341044	7.80
Bodies Corporates	981201	5.71	520299	3.03
Foreign Institutional Investors	971437	5.65	476155	2.77
HUF	192606	1.12	210683	1.23
Non resident Indians	8901	0.05	21339	0.12
Clearing Members	7034	0.05	321218	1.87
Trusts	45	0.00	122	0.00
Total	17188000	100.00	17188000	100.00

Names of shareholders holding more than 1% with number of shares as on 30th April 2006

Sl. No	Name	Shareholding	% of shareholding
1.	Dinesh J Hinduja	3552290	20.67
2.	Madanlal J Hinduja	2208300	12.85
3.	Rajendra J Hinduja	2167290	12.61
4.	Ashwin R Hinduja	2015780	1.73
5.	Vivek M Hinduja	1975780	11.50
6.	Gaurav D Hinduja	528000	3.07
7.	Reliance Capital Trustee Co. Ltd	400000	2.33
8.	ICICI Prudential Life Insurance Co. Ltd	352974	2.05
9.	Nirmat Finvest & Property Private Ltd.	275000	1.60
10.	Citi Group Global Markets Mauritius Pvt. Ltd.	257750	1.50
11.	The Master Trust Bank of Japan	248014	1.44
12.	Dayawanthi J Hinduja	217780	1.27
13.	DSP Merrill Lynch Trustee Co. Pvt. Ltd.	213190	1.24
14.	Nalini D Hinduja	202780	1.18

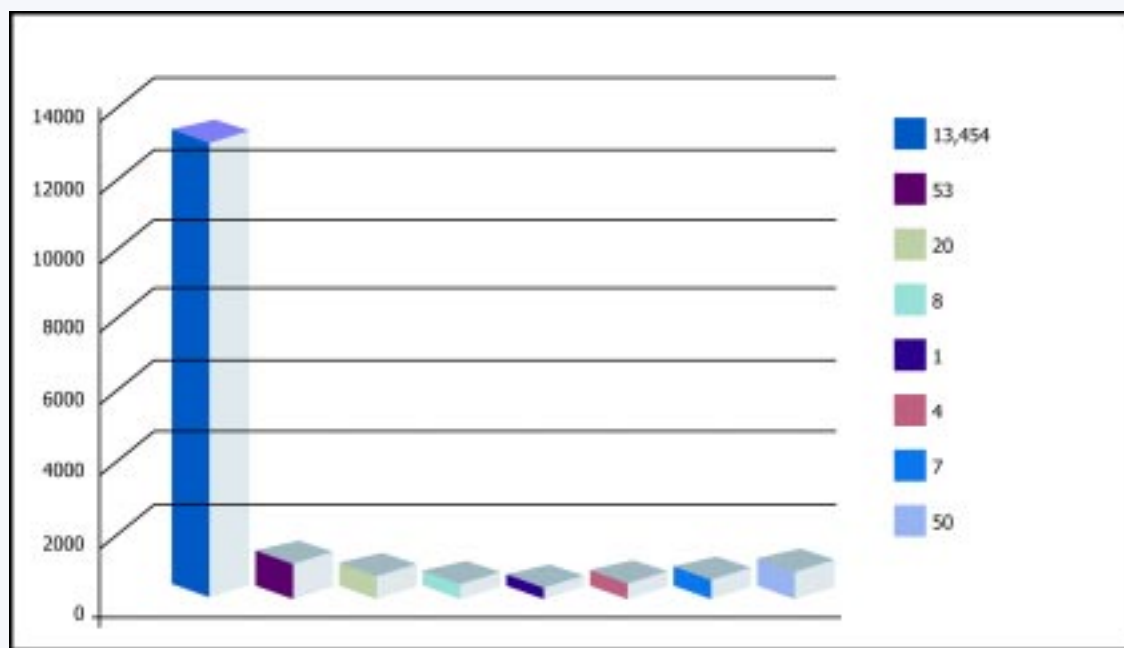
Shareholding pattern – Graphical representation



(xii) Distribution of Shareholding:

Particulars	As on 30.04.2006			As on 30.04.2005		
	No. of shareholders	% of shareholders	No. of shares	No. of shareholders	% of shareholders	No. of shares
1 - 5000	13454	98.95	319848	32849	99.29	582894
5001 – 10,000	53	0.39	40457	67	0.20	49858
10,001 – 20,000	20	0.15	28674	41	0.12	61607
20,001 – 30,000	8	0.06	2081	26	0.08	65287
30,001 – 40,000	1	0.01	3550	11	0.03	40117
40,001 – 50,000	4	0.03	19630	4	0.01	19825
50,001 – 1,00,000	7	0.05	50563	21	0.06	149204
1,00,000 – and above	50	0.37	16704477	66	0.20	16219208
TOTAL	13597	100.00	17188000	33085	100.00	17188000

Distribution Schedule – Graphical representation:



(xi) Share Transfer Process

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

(xii) Dematerialization of Shares

The equity shares of the company are available under dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in dematerialized form. Shares dematerialized as on 30th April 2006 are:

No. of Shares	% of shares	No. of shareholders	% of shareholders
3899951	21.97	13576	99.85

(xiii) Unclaimed dividend

The dividend for the year 2004-05, which remain unclaimed by the shareholders, are requested to claim immediately or contact the Company. The unclaimed dividend, which remain unclaimed for seven years

will be transferred to Investor Education and Protection Fund established by the Central Government under section 205 C of the Companies Act, 1956.

(xiv) ECS Mandate

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

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

Company:

For all shares / dividend related queries:

Company Secretary
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272200
Fax : 91-80- 22274869 / 22277497
Email: mvs@gokaldasexports.com
Website: www.gokaldasexports.com

For queries relating financials:

General Manager – Finance
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272200
Fax : 91-80- 22274869 / 22277497
Email: snr@gokaldasexports.com
Website: www.gokaldasexports.com

Registrar and Transfer Agent:

Karvy Computershare Private Limited
(Unit : Gokaldas Exports Limited)
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034
Phones: 91-40-23312454 / 23320751 / 752
Fax : 91-40-23311968
E mail: sreedharamurthy@karvy.com

CEO'S CERTIFICATION

The Board of Gokaldas Exports Limited has laid down a code of conduct for all the Board members and the senior management. The Code of Conduct has been posted in Uniform Resource Locator (URL) namely, www.gokaldasexports.com. All the Board members and the Senior Management personnel have affirmed compliance of the Code.

Place : Bangalore
Date: May 25, 2006

Madanlal J Hinduja
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Gokaldas Exports Limited

We have examined the compliance of conditions of Corporate Governance by Gokaldas Exports Limited ("the Company"), for the year ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

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

We state that no investor grievances or pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

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

for RSM & Co
Chartered Accountants

(Vijay N Bhatt)
Partner
Membership No. F - 36647

Mumbai: May 25, 2006

for Girish Murthy & Kumar
Chartered Accountants

(A V Satish Kumar)
Partner
Membership No. F - 26526

Bangalore: May 25, 2006

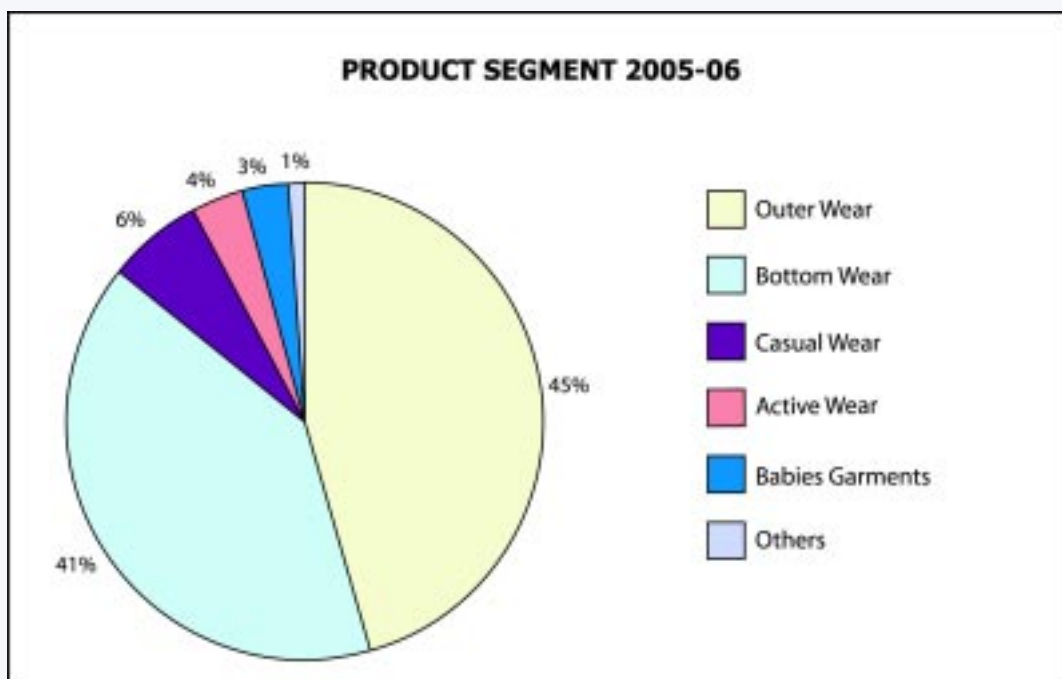
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Gokaldas Exports Limited (GEL) is the largest and one of the leading exporter of apparel and textile garments company in India having worldwide presence with established manufacturing, marketing and research capabilities and is a 9001:2002 certified company. GEL is vertically integrated with a presence across the apparel and textile products. GEL has more than 40 factories spreading in 37 locations in Bangalore, manufacturing more than 2.4 million garments per month.

The principal products that GEL produces are outer wear and bottom wear. Outerwear includes both sports wear and winter wear and bottom wear include casual pants, chinos, linen trousers, denim jeans etc. The following pie graph depicts the product mix for the year 2005-06:

Graphical representation of product mix



More than 97% of revenues come from export activity. GEL has big plans to enhance the production capacity to 2.5 million garments per month by the end of current fiscal. Towards this objective, we are investing more than Rs. 1000 million in the next two years, which would make us to further consolidate lead in the apparel and textile industry.

Industry Structure and Developments

The textile and clothing are closely related with textiles providing major input to the clothing industry. International trade were hitherto regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level with various bilateral and regional trade agreements. The ATC called for phasing out of quota restrictions by putting

pre-condition to the formation of World Trade Organization (WTO). The textile and clothing sector has become subject to the World Trade Organization (WTO), after removal of quotas from 1st January 2005. China has been re-imposed with restrictions both from E.U. and the U.S.A. which helps India to further increase its presence in the global apparel industry. India's performance during 2005 was a 32% jump compared to 2004. In the first four months of India's performance, January-April 2006, the growth was approx 35%, which is a clear indication of grabbing China's share of quotas.

The Indian textile industry plays a vital role in the Indian economy by contributing to GDP, generating employment and earning foreign exchange. An estimated 38 million people are directly employed in the textile industry in India and contributes to 4% of GDP and 20% of total export earnings. India currently exports more than one hundred garment product categories and out of this, cotton apparel exports dominate, contributing nearly 76% by value and synthetic constitutes 12%. Indian textile exports is expected to grow from the current levels to US\$ 50 billion by 2010, consequent to quota removal, apparel being US\$25 billion.

Opportunities and Threats

After dismantling of quotas, India seems to benefit due to raw material, design skills and skilled labour advantages. India is the world's third largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. With the establishment of training institutions like National Institute of Fashion Technology (NIFT), many high quality designers, who are able to create modern designs and interact with the buyers, are emerging. This is a distinctive advantage that Indian companies have, and not yet exploited.

India already enjoys a significant competitive advantage in terms of labour cost per hour over developed countries like USA, EU, Hong Kong, Taiwan, Singapore etc. India is rich in traditional workers adept at value adding tasks such as embroidery, minor work, beading and at marketing complex garments. Apart from these, USA and EU imposed quotas on China recently, which would benefit India in consolidating its market share and good political relations with these two countries would further help.

In spite of above advantages that India has, there would be pricing pressures in view of dismantling of quotas as new small and medium manufacturers would crop in not only within India but also from other countries where similar quotas were imposed earlier. Also India has geographical disadvantage which takes little longer time to reach its products to the key markets. It seems the price has been, more or less, stabilized and the buyers are looking for quality manufactures, even if it costs a little more.

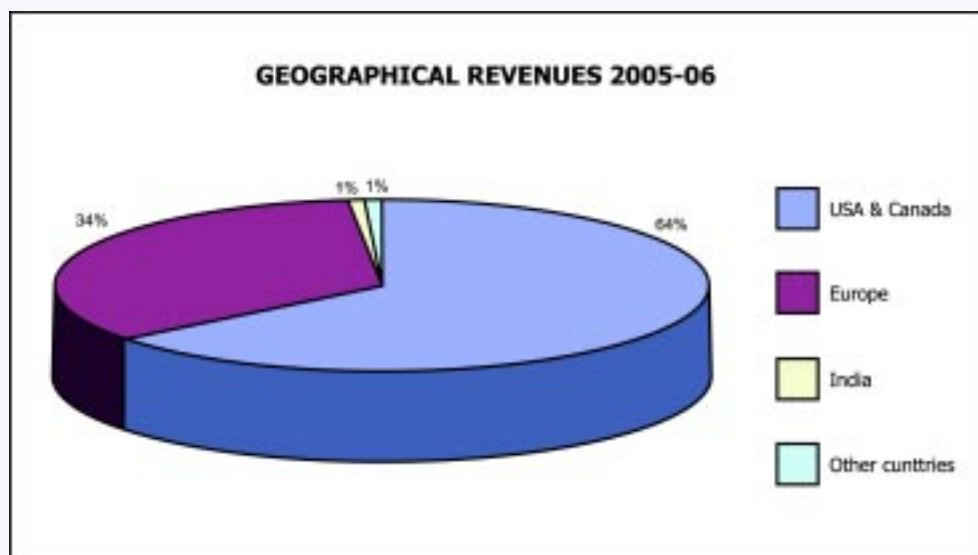
Operating Results / Financial Highlights

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

During the year, the Company has achieved a net turnover of Rs.86195.58 lakhs, out of which 97.8% is in the form of foreign exchange. The Company posted a strong top line performance due to good order book. Profit before tax was at Rs 6794.04 lakhs and net profit after tax stood at Rs.6088.34 lakhs.

The higher net profit margin is due to our most of sales are to the foreign buyers, which enjoys higher margins. During 2005-06, USA & Canada dominated with a share of 64.57% of total turnover and Europe stood in the second with 33.67%.

Graphical representation of revenues from various geographical locations / countries:



Earnings per equity share (face value Rs.10/-) was also significantly higher from Rs. 29.01 to Rs.35.76 on year on year basis.

Some of the key performance indications are given below:

Particulars	(Rs. in lakhs)	
	2006	2005
Gross revenue	88881.58	71948.15
Profit before tax (PBT)	6794.04	4369.66
Ratio of PBT to Gross revenue (%)	7.64%	6.07%
Profit After Tax (PAT)	6088.34	3958.43
Ratio of PAT to Gross revenue	6.85%	5.51%
Earnings Per Share (EPS) (Rs.)	35.76	29.01

Risks and Concerns

Risks are of both internal and external. Internal risks shall include, but not limited to, our dependency on limited number of buyers. The Company's largest five buyers account for approx.78% of total revenue. Loss of any buyer

or decrease in the volume of apparels they source from the Company may adversely affect revenues, pricing pressures and consequently profitability of the Company. Another risk factor is that with the opening up of international markets, after removal of quota system, there may be pricing pressure on products due to various suppliers who will start competing for the same orders in the international markets.

Apart from the above, we are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 98.7% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation/depreciation. Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore, if there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. To minimize the locational risks, the Company is setting up factories / units in Chennai, Mysore and Hyderabad.

The Government of India has instituted several policies to promote the growth and these include interest rate subsidies, duty/tax reimbursement schemes etc. Withdrawal/ termination of any of these policies / schemes may adversely impact the profitability of the Company. Also wage costs in India have been significantly lower than the wage costs in the developed countries for skilled professionals in the textile industry, which has been our competitive strength. Wage increase in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins.

However, the Company has put in place a Risk Management Document which has the objective to create an awareness about various risks associated with the business of the Company. It defines the risk policies, lays out the risk strategies and methodology to decide on the risk taking ability of the Company. The risk management process involves risk identification, risk measurement, risk prioritization, risk monitoring, risk escalation and risk mitigation. The Audit Committee and Board have approved this risk management document during last fiscal.

Internal Control Systems and their adequacy

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

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

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

Human Resources / Industrial Relations

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

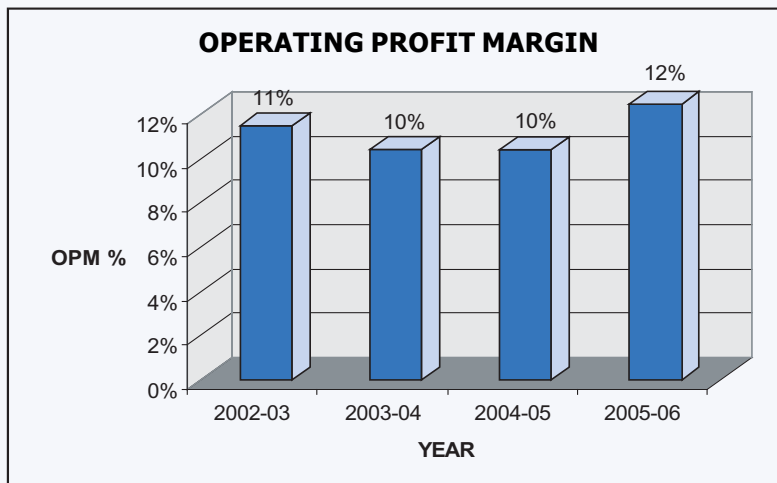
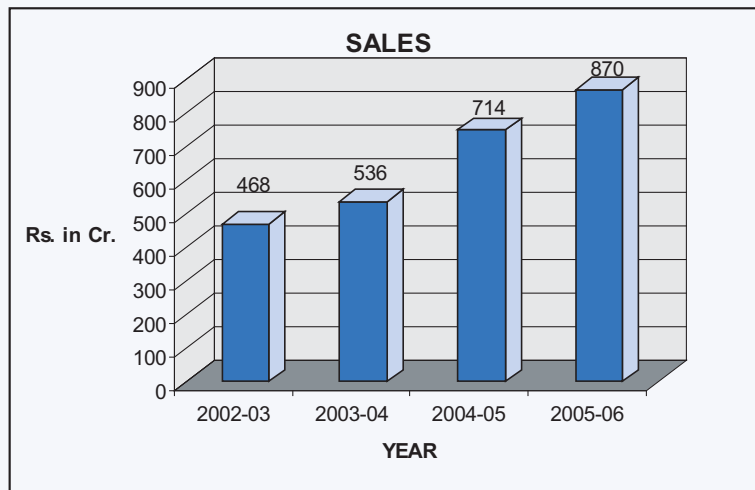
As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has 42,979 employees as on 31st March 2006 as against 35,234 employees as on 31st March 2005.

Caution Statement

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

FINANCIAL HIGHLIGHTS

Rupees in Crores



FINANCIAL STATEMENTS

Financial Statements

For the year ended 31st March 2006
GOKALDAS EXPORTS LTD

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AUDITORS' REPORT

Auditors' Report to the members of Gokaldas Exports Limited

1. We have audited the attached Balance Sheet of Gokaldas Exports Limited ('the Company') as at March 31, 2006 and also the Profit and Loss account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto (all together referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received by the Company from its directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2006 from being appointed as a director under clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - ii. in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner
Membership No.: F-36647

Mumbai: May 25, 2006

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 25, 2006

Annexure to Auditors' Report

[Referred to in paragraph 3 of our report of even date to the members of Gokaldas Exports Limited on the financial statements for the year ended March 31, 2006]

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These records are being updated to reflect the additions and deletions during the year under report.
 - b. According to the information and explanations given to us, management conducted physical verification of fixed assets during the year under report, and no material discrepancies were noticed as compared to book records maintained.
 - c. In our opinion, the Company has not disposed off a substantial part of fixed assets during the year under report; accordingly, the going concern assumption is not affected.
2.
 - a. According to the information and explanations given to us, the management conducted physical verification of inventories at reasonable intervals during the year.
 - b. In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3.
 - a. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the said Order are not applicable.
 - b. The Company has availed unsecured interest-free loans from three directors and three companies covered in the register maintained under section 301 of the Companies Act, 1956. In respect of such loans, the aggregate of the maximum balances outstanding during the year as also the aggregate of closing balances as at the balance sheet date, is Rs. 452,947,462.
 - c. In our opinion and according to the information and explanations given to us, the terms and conditions on which these interest-free loans are availed, are prima facie, not prejudicial to the interest of the Company.
 - d. According to the information and explanations given to us, and having regard to the explanation that the loans availed are on call basis and that during the year the Company was not called upon to make repayments, in our opinion, the Company is regular in repayment of the principal amount. As the said loans are interest-free, there is no question of payment of interest.
4. In our opinion, and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
5.
 - a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that are required to be entered into the register maintained under that Section, have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made during the year in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five hundred thousand in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, are applicable.
7. The Company has an internal audit system. However, the coverage and scope of the same needs to be further strengthened so as to make it commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.

9. a. According to the information and explanations given to us, the Company was generally regular during the year under report in depositing undisputed statutory dues including provident fund, investors' education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess with the appropriate authorities. As at the year-end, there were no such dues that remained unpaid for a period exceeding six months from the date they were payable.
- b. According to the records of the Company, as at the balance sheet date there are no dues of income-tax, sales-tax, wealth tax, customs duty, excise duty, service tax or cess that remained unpaid on account any disputes.
10. The Company does not have any accumulated losses as at the year end, and did not incur cash losses during the financial year under report and the immediately preceding financial year.
11. On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions. The Company did not have any debentures outstanding during the year under report.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities; accordingly, the provisions of clause (xii) of paragraph 4 of the said Order are not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the said Order are not applicable.
14. During the year under report, except for the temporary deployment of surplus funds in units of mutual funds, the Company did not deal or trade in shares, securities, debentures or other investments. In respect of its investments, the Company has maintained proper records of transactions and contracts and made timely entries therein. All investments of the Company are held in its own name.
15. According to the information and explanations given to us, during the year under report, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the Company has applied the term loans for the purposes they were obtained.
17. In our opinion, and on the basis of our examination and according to the information and explanations given to us, on an overall examination of the balance sheet of the Company, we report that during the year, prima facie, the Company has not used funds raised on short-term basis for long-term investment.
18. According to the information and explanations given to us, 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.
19. The Company did not have any debentures outstanding during the year under report; accordingly, there is no question of creating security in respect thereof.
20. We have verified the end-use of money raised by public issue and the same has been disclosed in the notes to the financial statements.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company, noticed or reported during the year.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner
Membership No.: F-36647

Mumbai: May 25, 2006

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 25, 2006

BALANCE SHEET AS AT MARCH 31, 2006

Rupees in Lakhs

	Schedule	As at March 31, 2006	As at March 31, 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	1,718.80	1,406.30
Reserves and Surplus	II	<u>32,833.07</u>	<u>15,223.64</u>
		34,551.87	16,629.94
Loan Funds			
Secured Loans	III	15,477.59	12,618.20
Unsecured Loans	IV	<u>6,423.48</u>	<u>6,435.86</u>
		21,901.07	19,054.06
Deferred tax liability (net)		532.33	387.81
Total		<u>56,985.27</u>	<u>36,071.81</u>
APPLICATION OF FUNDS			
Fixed Assets			
	V		
Gross Block		20,355.97	12,909.51
Less : Depreciation		<u>5,702.16</u>	<u>3,958.37</u>
Net Block		14,653.81	8,951.14
Capital Work-in-process (including capital advances)		<u>1,371.01</u>	<u>212.64</u>
		16,024.82	9,163.78
Investments	VI	9,318.47	3,099.00
Current Assets, Loans and Advances			
	VII		
Inventories		26,747.88	17,759.38
Sundry Debtors		5,615.68	5,766.51
Cash & Bank Balances		704.40	2,041.25
Other Current Assets		635.31	265.82
Loans & Advances		<u>3,997.19</u>	<u>3,249.40</u>
		37,700.46	29,082.36
Less: Current Liabilities and Provisions			
	VIII		
Current Liabilities		4,842.32	4,650.89
Provisions		<u>1,220.79</u>	<u>627.73</u>
		<u>6,063.11</u>	<u>5,278.62</u>
Net Current Assets		31,637.35	23,803.74
Miscellaneous Expenditure	IX	4.63	5.29
(to the extent not written off or adjusted)			
Total		<u>56,985.27</u>	<u>36,071.81</u>
Significant Accounting Policies and			
Notes to Accounts	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for RSM & Co

Chartered Accountants

VIJAY N. BHATT

Partner

Membership No. F-36647

Place : Mumbai

Dated : May 25, 2006

for GIRISH MURTHY & KUMAR

Chartered Accountants

A.V. SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

M. Venkata Subbaiah

Company Secretary

Bangalore, May 25, 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	Schedule	For the year ended March 31, 2006	As at March 31, 2005
INCOME			
Sales	X	86,195.58	70,924.14
Other Income	XI	2,686.00	1,024.01
		88,881.58	71,948.15
EXPENDITURE			
Purchase of Finished Goods		4.81	51.02
(Increase) / Decrease in Stocks	XII	(3,074.39)	(2,178.79)
Material, Manufacturing and Operating Expenses	XIII	73,405.08	60,262.19
Personnel Costs	XIV	4,438.08	3,455.91
Sales & Administrative Expenses	XV	4,077.03	3,651.37
Finance Charges	XVI	1,429.26	1,180.10
Depreciation	V	1,807.67	1,156.69
		82,087.54	67,578.49
Profit Before Tax		6,794.04	4,369.66
Provision for Taxation			
— Current Tax		191.83	125.00
— Deferred Tax		333.02	268.29
— Fringe Benefit Tax		24.75	-
— Income Tax of Earlier Years		156.10	17.94
Net profit for the year		6,088.34	3,958.43
Profit brought forward from previous year		3,476.46	293.73
Amount available for Appropriation		9,564.80	4,252.16
Appropriations			
Proposed Dividend		515.64	343.76
Tax on Dividends		84.59	35.94
Transfer to General Reserve		610.00	396.00
		1,210.23	775.70
Balance transferred to Balance Sheet		8,354.57	3,476.46
Earning per Share Rs. 10 each (basic and diluted) (Refer Note No. C 12 to Schedule XVII)		35.76	29.01
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for RSM & Co
Chartered Accountants
VIJAY N. BHATT
Partner
Membership No. F-36647
Place : Mumbai
Dated : May 25, 2006

for GIRISH MURTHY & KUMAR
Chartered Accountants
A.V. SATISH KUMAR
Partner
Membership No. F-26526
Place : Bangalore
Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

M. Venkata Subbaiah
Company Secretary
Bangalore, May 25, 2006

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE I - SHARE CAPITAL		
Authorized		
20,000,000 (20,000,000) Equity Shares of Rs.10/- each	2,000.00	2,000.00
ISSUED, SUBSCRIBED, AND PAID UP CAPITAL		
17,188,000 (14,063,000) Equity Shares of Rs.10/- Each fully paid-up (Out of the above 3,563,000 shares have been allotted as fully paid-up pursuant to scheme of amalgamation without payment being received in cash)	1,718.80	1,406.30
	1,718.80	1,406.30
SCHEDULE II - RESERVES AND SURPLUS		
Capital Reserve - as per last balance sheet	9,751.19	9,751.18
Securities Premium Account		
Balance as per last balance sheet	1,600.00	-
Add: Received on issue of equity shares	12,968.75	1,600.00
Less: Share issue expenses (Refer Note No. C - 3 to Schedule XVII)	(847.44)	-
	13,721.31	1,600.00
General Reserve		
Balance as per last balance sheet	396.00	-
Add: Transferred from Profit and Loss Account	610.00	396.00
	1,006.00	396.00
Surplus in Profit and Loss Account	8,354.57	3,476.46
	32,833.07	15,223.64
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks	14,211.61	11,994.22
[Secured by hypothecation of raw materials, finished goods & book debts]		
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	1,265.98	623.98
[Secured by hyphothecation of specific fixed assets purchased under term loans]		
	15,477.59	12,618.20
SCHEDULE IV - UNSECURED LOANS		
From Directors	4,461.17	4,460.83
From Others	1,962.31	1,975.03
	6,423.48	6,435.86

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE - V - FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2005	Additions	Sale during the year	As on 31.03.2006	As on 01.04.2005	for the Year	Adjustment for Sale	As on 31.03.2006	As on 31.03.2006	As on 31.03.2005
Freehold land	374.82	342.97	-	717.79	-	-	-	717.79	374.82	
Buildings	961.95	343.38	-	1,305.33	332.14	86.78	-	418.92	886.41	629.81
Lease hold improvements	55.77	53.89	-	109.66	2.87	8.34	-	11.21	98.45	52.90
Plant & machinery	10,361.41	6,314.90	93.40	16,582.91	3,043.92	1,511.31	57.72	4,497.51	12,085.40	7,317.49
Electrical Equipments	109.17	47.30	-	156.47	49.54	11.71	-	61.24	95.23	59.63
Office equipments	123.63	47.89	3.45	168.07	61.48	12.24	1.41	72.32	95.75	62.15
Furnitures & Fixtures	248.74	158.06	-	406.80	110.98	31.16	-	142.14	264.66	137.76
Computers	367.98	153.18	-	521.16	230.17	87.81	-	317.98	203.18	137.81
Vehicles	306.04	88.36	6.62	387.78	127.27	58.32	4.75	180.84	206.94	178.77
Total	12,909.51	7,549.93	103.47	20,355.97	3,958.37	1,807.67	63.88	5,702.16	14,653.81	8,951.14
Previous Year	5,808.67	7,240.75	139.91	12,909.51	2,880.85	1,156.69	79.17	3,958.37	8,951.14	4,676.04

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE VI - INVESTMENTS		
[Non-trade, at cost]		
A. Long-term Investments		
In Government Securities [unquoted]		
National Savings Certificate	0.43	0.26
	0.43	0.26
In Bonds [unquoted]		
2,700 (Previous Year 2,700) US 64 Bonds of Rs. 100 each, fully paid-up	5.16	5.16
	5.16	5.16
In Subsidiary companies [unquoted]		
All Colour Garments Private Limited	333.98	333.98
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Deejay Trading Private Limited	81.96	81.96
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Glamourwear Apparels Private Limited	101.46	101.46
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Madhin Trading Private Limited	65.86	65.86
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Magenta Trading Private Limited	69.08	69.08
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Rafter Trading Private Limited	36.72	36.72
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Rajdin Apparels Private Limited	170.90	170.90
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Reflexion Trading Private Limited	1.00	1.00
10,000 (Previous Year 9,999) Equity Shares of Rs. 10 each, fully paid-up		
Rishikesh Apparels Private Limited	67.83	67.83
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Seven Hills Clothing Private Limited	307.90	307.90
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
SNS Clothing Private Limited	1,776.00	1,776.00
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Vignesh Apparels Private Limited	80.89	80.89
20,000 (Previous Year 19,999) Equity Shares of Rs. 10 each, fully paid-up		
Robot Systems Private Limited		
12,000 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up	327.81	-
	3,421.39	3,093.58
B. Current Investments		
In Mutual Funds [quoted]		
14,684,575.322 (Previous Year Nil) units of Rs. 10 each in Prudential ICICI - Blended Plan A - Dividend	1,500.00	-
24,905,944.717 (Previous year Nil) units of Rs. 10 each in JM Equity & Derivative Fund - Dividend Option	2,526.23	-
2,852,781.149 (Previous year Nil) units of Rs. 10 each in HDFC Multiple Yield Fund - Dividend	285.83	-
15,788,440.503 (Previous year Nil) units of Rs. 10 each in Prudential ICICI Blended Plan B - Dividend	1,578.92	-

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
5,084.026 (Previous year Nil) units of Rs. 10 each in Prudential ICICI Floating Rate Plan - Dividend	0.51	-
	5,891.49	-
	9,318.47	3,099.00
Aggregate cost of quoted investments	5,891.49	-
Aggregate market value of quoted investments	6,003.11	-
Aggregate cost of un-quoted investments	3,426.97	3,099.00
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
[Refer Note No. B(c) to Schedule XVII for mode of valuation of inventories]		
Raw Materials and Packing Materials	19,305.05	13,541.15
Consumable Stores and Spares Parts	301.01	150.80
Finished Goods	2,543.26	2,674.11
Work-in-progress	4,598.56	1,393.32
	26,747.88	17,759.38
Sundry Debtors		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	66.70	-
Others	5,548.98	5,766.51
	5,615.68	5,766.51
Cash and Bank Balances		
Cash on hand	24.11	7.86
Bank Balances with Scheduled Banks:		
— in Current Accounts	379.33	1,574.92
— Fixed Deposit Account	300.00	457.50
— Margin for Bank Guarantees	0.96	0.97
	704.40	2,041.25
Other Current Assets		
Interest accrued on bank deposits	4.95	48.97
Others	630.36	216.85
	635.31	265.82
Loans and Advances		
Advances to Subsidiaries	1,184.60	608.02
Advances recoverable in cash or for value to be received		
— for Supplies and Services	964.22	862.30
— from Staff	49.46	26.59
— others	300.00	11.78
Taxes paid in Advance	559.69	429.79
Taxes paid in Advance - Fringe Benefit Tax	24.75	-
Expenses relating to Public Issue [Refer Note No. C 3 to Schedule XVII]	-	573.97
Deposits	914.47	736.95
	3,997.19	3,249.40
	37,700.46	29,082.36

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors (other than subsidiaries)		
— Due to Small Scale Industrial Undertakings		
[Refer Note No. C-6 to Schedule XVII]	72.93	78.03
— Others	2,015.58	2,377.25
Due to Subsidiaries	1,466.53	1,269.44
Advance received from Customers	57.03	34.15
Other Liabilities	688.57	810.28
Dividends Declared pending encashment (not due to Investor Education and Protection Fund)	0.27	-
Book Overdraft	541.41	81.74
	4,842.32	4,650.89
Provisions		
Provision for Taxation	418.29	143.84
Provision for Fringe Benefit Tax	24.75	-
Proposed Dividend	515.64	343.76
Tax on Proposed Dividend	72.32	35.94
Provision for Gratuity	76.88	55.53
Provision for Leave Encashment	112.91	48.66
	1,220.79	627.73
	6,063.11	5,278.62
SCHEDULE IX - MISCELLANEOUS EXPENDITURE		
[to the extent not written off or adjusted]		
Preliminary Expenses - as per last balance sheet	5.29	5.95
Less: Amortised during the year	0.66	0.66
	4.63	5.29

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	For the year ended March 31, 2006	For the year ended March 31, 2005
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	85,076.96	69,778.36
— Domestic Sales	628.14	958.26
Sale of other items	490.48	187.52
	86,195.58	70,924.14
SCHEDULE XI - OTHER INCOME		
Export Incentives	937.00	439.80
Foreign Exchange difference - net	-	175.09
Other Operating Income	1,219.75	366.15
Interest [Tax Deducted at Source Rs. 702,547; previous year Rs. 725,790]	40.33	36.77
Dividend on current investments	170.40	-
Profit on sale of current investments	118.24	0.12
Profit on sale of fixed assets - net	6.11	-
Miscellaneous Income	23.76	6.08
Surplus on Forward Contracts	97.00	-
Sundry Credit Balances written back	73.41	-
	2,686.00	1,024.01
SCHEDULE XII - (INCREASE)/DECREASE IN STOCKS		
<u>Opening Stock</u>		
Finished Goods	2,674.11	1,888.64
Work-in-progress	1,393.32	-
	4,067.43	1,888.64
<u>Closing Stock</u>		
Finished Goods	2,543.26	2,674.11
Work-in-progress	4,598.56	1,393.32
	7,141.82	4,067.43
	(3,074.39)	(2,178.79)
SCHEDULE XIII - MATERIALS, MANUFACTURING AND OPERATING EXPENSES		
Consumption of Raw Materials and Packing Materials	52,757.31	45,759.79
Consumption of Consumables, Stores and Spares	689.93	376.93
Job Work Charges	19,002.97	13,552.02
Power and Fuel	653.84	280.87
Repairs and Maintainance - Plant and Machinery	112.88	101.16
Other Manufacturing Expenses	188.15	191.42
	73,405.08	60,262.19
SCHEDULE XIV - PERSONNEL COSTS		
Salaries, Wages and Bonus	3,891.53	3,057.59
Contribution to Provident Fund and other Funds	420.28	321.55
Welfare Expenses	126.27	76.77
	4,438.08	3,455.91

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2006

Rupees in Lakhs

	For the year ended March 31, 2006	For the year ended March 31, 2005
SCHEDULE XV - SALES AND ADMINISTRATION EXPENSES		
Rent	186.60	141.40
Insurance	79.58	114.80
Legal and Professional Charges	228.81	254.49
Printing and Stationery	212.07	119.41
Communication Costs	301.31	210.82
Travelling and Conveyance	222.65	213.96
Rates and Taxes	74.82	69.91
Repairs and Maintenance		
— Buildings	17.10	17.64
— Others	290.57	200.01
Preliminary Expenses amortized	0.66	0.66
Auditors' Remuneration	17.00	18.60
Membership and Subscription	35.17	35.64
Commission, Discounts and Brokerage	413.14	303.00
Clearing, Forwarding and Freight	1,081.23	738.83
Export Claims	97.03	63.50
Customs Duty	51.92	187.92
Quota Purchase	-	582.14
Charity and Donation	27.76	7.57
Directors' Remuneration	144.00	144.30
Loss on Forward Contracts	-	78.30
Loss on Sale of Fixed Assets - net	-	4.05
Advertisement, Publicity and Business Promotion	69.36	79.04
Exchange Difference - net	379.05	-
Goodwill amortized	-	1.36
Security Transaction Tax	0.96	-
Miscellaneous Expenses	146.24	64.02
	4,077.03	3,651.37
SCHEDULE XVI - FINANCE CHARGES		
Bank Interest		
— On Fixed Loans	20.19	34.21
— Others	983.21	435.01
Bank Charges	425.86	710.88
	1,429.26	1,180.10

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Background

Gokaldas Exports Limited ('the Company') was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under Part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka dated November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited were amalgamated with the Company, with effect from April 1, 2004 being the appointed date. As a result of the merger, the Company now comprises two 100% Export Oriented Units and a Domestic Tariff Area Unit.

The Company is engaged in the business of design, manufacture and sale of a wide range of garments for men, women and children and caters to the needs of several leading international fashion brands and retailers. The principle source of revenue for the Company is from export of garments and related products.

B. Significant accounting policies

a. *Basis of preparation of financial statements and use of estimates*

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. *Fixed assets and depreciation*

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. *Inventories*

Raw materials, packing materials, stores, spares and consumables are valued at cost. Finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work-in-progress, includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. *Revenue recognition*

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which generally co-incides with dispatch of goods from factory/warehouse.

e. *Export incentives*

Export incentives comprise of duty drawback. The benefit under this scheme is available based on the policies formulated by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain.

f. *Foreign currency transactions*

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at the year end exchange rate. Resultant gains or losses are recognised in the profit and loss account.

g. *Investments*

Long-term investments are valued at cost. Cost includes incidental charges incurred towards acquisition of such investments. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

k. Share issue expenses

Share issue expenses, net of tax benefits, are adjusted against the securities premium received on issue of shares.

C. Notes to Account

1. Contingent liabilities

Rupees in Lakhs

Particulars	As at March 31, 2006	As at March 31, 2005
Disputed income tax/gift tax demand pending in appeal	-	342.29
Other claims against the Company not acknowledged as debts	15.02	5.31
Guarantees given by banks	33.75	959.78
Outstanding letter of credit	2,997.70	3,843.56
Bills discounted with banks	7,348.03	5,812.65
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	931.29	236.33

- During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme, the Company has export obligations of Rs. 3,764.52 lakhs (Previous Year Rs. 731.21 lakhs) to be fulfilled on or before January 18, 2014.

- The Company has raised Rs. 13,281.25 lakhs through a public issue of shares during the year, the proceeds of which are deployed as follows:

Rupees in Lakhs

Capital Expenditure for setting up of new factories / modernization and expansion of existing factories (including capital advances)	7,748.19
Meeting issue expenses	1,083.06
Unutilized funds invested in Mutual Funds as at balance sheet date	4,450.00
TOTAL	13,281.25

Expenses (amounting to Rs.1,083.06 lakhs) incurred towards the Company's Initial Public Issue are adjusted against the securities premium received on issue of shares. Such expenses (amounting to Rs. 573.97 lakhs) incurred upto 31.03.2005 were classified as "Expenses relating to Public Offer" under loans and advances in the financial statements.

- In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.
- Unsecured loans from others include interest-free loans that vested in the Company upon the conversion of a partnership firm into the Company pursuant to the provisions of Part IX of the Companies Act, 1956. These amounts pertaining to current accounts of partners of erstwhile partnership firm will be repaid by the Company.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

- 6 Sundry Creditors include Rs. 72.93 lakhs (Previous Year Rs. 78.03 lakhs) due to Small Scale Industrial (SSI) Undertakings, which are identified based on the information available with the Company. Following are the names of SSI units where dues are outstanding for a period exceeding 30 days as at March 31, 2006:

Appu Paper Products
Elegant Rocks Pvt. Ltd.,
Jay Jay Polymers
Kengeri Packers Pvt. Ltd.
Kumar Elastic
Magraa Associates
Reflex Printers
Sri Devi Prints
Sri Ram Industries
Sri Ram Packaging Co.
Super Fine Colour Tech Prints
Trimurti Plastics
Vidhura Polypacks
Wadpack Limited

7. Segment information

- a. Primary business segment

The Company's activities of manufacture and sale of garments constitutes its single business segment.

- b. Secondary business segment (by geographical area based on location of customers):

Rupees in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	28,860.30 (18,366.10)	2,294.97 (1,369.91)	- (-)
USA, Canada and North America	55,340.34 (50,013.57)	3,718.47 (3,857.76)	- (-)
India	1,118.62 (1,145.78)	62,041.03 (35,842.81)	7,549.93 (7,240.75)
Others	876.32 (1,398.68)	529.62 (274.66)	- (-)
Total	86,195.58 (70,924.13)	68,584.09 (41,345.14)	7,549.93 (7,240.75)

Figures in brackets are for previous year.

8. Related party disclosure

- a. The following are the names of related parties and description of relationship where transactions were made:

Enterprises where control exist

Subsidiary companies

- All Colour Garments Private Limited
- Deejay Trading Private Limited
- Glamourwear Apparels Private Limited
- Madhin Trading Private Limited
- Magenta Trading Private Limited
- Rafter Trading Private Limited
- Rajdin Apparels Private Limited
- Reflexion Trading Private Limited
- Rishikesh Apparels Private Limited
- Robot Systems Private Limited
- Seven Hills Clothing Private Limited
- SNS Clothing Private Limited
- Vignesh Apparels Private Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Key management personnel

1. Mr. Madanlal J Hinduja – Chairman and Managing Director
2. Mr. Rajendra J Hinduja – Executive Director – Finance & Administration
3. Mr. Dinesh J Hinduja – Executive Director – Production & Marketing
4. Mr. Ashwin R Hinduja – Chief Operating Officer – Production
5. Mr. Vivek M Hinduja – Chief Operating Officer - Marketing
6. Mr. Gaurav D Hinduja – Production Officer

Enterprises over which key management personnel and their relatives exercise significant influence

1. Dazzle Trading Private Limited
2. Dice Trading Private Limited
3. Hinduja Trading Company
4. J.V.N. Exports Private Limited
5. Maze Trading Private Limited
6. Parichay Investments Limited
7. Polyproducts Private Limited
8. Rapple Trading Private Limited
9. Vag Exports Private Limited

- B. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Rupees in Lakhs

Transactions	Enterprises where control exist	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	18,430.80 (9,628.44)	- (-)	- (3,899.91)	18,430.80 (13,528.34)
Material purchases	49.56 (-)	- (-)	- (22.63)	49.56 (22.63)
Garment purchases	3.98 (-)	- (-)	- (-)	3.98 (-)
Rent received	4.08 (3.06)	- (-)	- (1.02)	4.08 (4.08)
Rent paid	- (-)	- (-)	7.56 (5.40)	7.56 (5.40)
Hire Charges received	- (-)	- (-)	- (1.90)	- (1.90)
Sale of garments	58.79 (109.30)	- (-)	- (42.36)	58.79 (151.66)
Sale of assets	- (-)	- (-)	- (21.17)	- (21.17)
Sale of Fabrics	39.85 (-)	- (-)	- (-)	39.85 (-)
Remuneration	- (-)	210.47 (144.30)	- (-)	210.47 (144.30)
Loans taken	- (-)	- (2,601.35)	- (-)	- (2,601.35)
Loans repaid	- (-)	12.38 (-)	- (-)	12.38 (-)
Balance outstanding as on March 31				
— Credit balances	1,326.33 (1,269.44)	6,355.17 (6,367.55)	210.82 (399.57)	7,892.32 (8,036.56)
— Debit balances	1,021.73 (608.02)	- (-)	3.09 (11.78)	1,024.82 (619.80)

Figures in brackets are for previous year.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Disclosure in respect of transactions that exceed 10% of the total value of transactions of the same type with related parties during the year:

Job work Charges

	2005-2006	2004-2005
Glamourwear Apparels Private Limited	2,559.35	1,761.68
Magenta Trading Private Limited	2,090.06	1,010.08
Rishikesh Apparels Private Limited	2,111.92	535.94
Seven Hills Clothing Private Limited	3,647.92	2,119.29
Material Purchases		
Reflexion Trading Private Limited	49.56	-
Garment Purchases		
SNS Clothing Private Limited	3.98	-
Rent Received		
All Colour Garments Private Limited	3.00	2.25
Seven Hills Clothing Private Limited	1.08	0.81
Rent Paid		
Hinduja Trading Co.,	5.40	5.40
VAG Exports Private Limited	2.16	-
Sale of Garments		
SNS Clothing Private Limited	58.79	93.77
Sale of Fabrics		
SNS Clothing Private Limited	39.85	40.25
Remuneration to Key management personnel:		
Madanlal J Hinduja	48.00	48.10
Rajendra J Hinduja	48.00	48.10
Dinesh J Hinduja	48.00	48.10
Vivek M Hinduja	32.00	-
Ashwin R Hinduja	32.00	-
Gaurav D Hinduja	2.47	-

9. Balances with companies under the same management under section 370(1B) of the Companies Act, 1956 included in Loans and Advances:

Rupees in Lakhs

Name of the company	As at March 31, 2006 Maximum balance outstanding during the year		As at March 31, 2005 Maximum balance outstanding during the year	
		Closing balance		Closing balance
Magenta Trading Private Limited	348.40	113.67	42.18	33.97
Rishkesh Apparels Private Limited	929.82	700.34	376.92	376.92
Rajdhin Aapparels Private Limited	190.40	91.88	187.55	45.97
Glamourwear Apparels Private Limited	306.17	45.69	260.41	0.91
Reflexion Trading Private Limited	139.26	-	0.26	0.26
Seven Hills Clothing Private Limited	559.29	162.03	-	-
Parichay Investments Limited	-	-	1.80	1.80
VAG Exports Private Limited	-	-	9.98	9.98
Total	2,473.34	1,113.60	879.10	469.81

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

10. Earnings per share

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
Net profit for the year as per profit and loss account considered as numerator for calculating earnings per share	6,088.34	3958.43
Weighted average number of equity shares	170.25	136.46
Nominal value per share (Rs.)	10.00	10.00
Earnings per share – Basic and diluted (Rs.)	35.76	29.01

11. During the year, the Company purchased and sold mutual fund units, the details whereof are as follows:

Units in Lakhs Rs. in Lakhs

Fund	Scheme	Purchase Units	Purchase value
Franklin Templeton Investments	Instl dividend Reinvestment	1.21	1,206.82
Franklin Templeton Investments	Prima dividend Reinvestment	3.83	188.94
Franklin Templeton Investments	weekly dividend Reinvestment	0.70	767.71
HSBC	Instl Daily Dividend	100.17	1,002.27
HDFC Mutual Fund	Cash MGMT savings Dividend Re- Investment	26.75	284.51
HDFC Mutual Fund	Cash MGMT savings Dividend Re- Investment	28.54	285.97
Birla	Cash Plus Dividend Revestment	30.61	501.31
ABN Amro	Cash Fund Dividend Reinvestment	50.08	500.76
Reliance Treasury	Div reinvestment	65.87	1,006.26
Reliance short term fund	Dividend Plan	74.99	759.98
Reliance Treasury Plan	Inst Option daily Dividend option	4.08	183.83
Reliance Treasury Plan	Inst Option weekly	17.04	260.80
Reliance Treasury Plan	Retail Option - weekly dividend option	18.41	190.38
Canbank Mutual Fund	Canbank Mutual Fund	299.12	3,003.49
UTI Liquid cash Plan	Daily Income	0.99	1,002.17
LIC Mutual fund	liquid Fund- Dividend Plan	46.08	500.92
SBI Mutual Fund	SBI Mutual Fund	49.92	500.79
DSP Merrill Lynch Liquid fund	Daily Dividend	50.04	500.88
Prudential ICICI Mutual fund	Plan Daily Dividend	42.32	501.50
HDFC Cash Management fund	savings Plan	47.21	502.15
Principala Cash management Fund	Principala Cash management Fund	100.22	1,002.29
Sundaram Money fund	dividend reinvest	49.62	500.00
Grindlays Cash Fund	Inst Plan B- daily dividend	47.62	503.92
Deustsche Mutual fund	Deustsche Inst Plan daily	50.32	504.21
Kotak liquid (Inst Premium)	Daily dividend	81.97	1,002.29
Tata Mutual Fund	Tata Mutual Fund	449.99	501.51
JM Financial Mutual Fund	JM Equity & derivative fund dividend option 129	5.89	59.70
JM Financial Mutual Fund	JM Equity fund- dividend plan 01	3.66	60.00
Prudential ICICI	Blended Plan B Dividend	366.89	3,611.70
Prudential ICICI	Floating Rate Plan Dividend	4.98	50.00

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

12. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:
Rupees in Lakhs

Particulars	As at March 31, 2005	Current year (charge)/credit	As at March 31, 2006
Difference between book and tax base of fixed assets	(418.92)	(328.08)	(747.00)
Retirement benefits allowed on payment basis accrued in books	31.11	(4.94)	26.17
Share issue expenses*	-	-	188.50
Total	(387.81)	(333.02)	(532.33)

* Share issue expenses, net of taxes, have been adjusted to the securities premium account.

13. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs. 540.04 lakhs (Previous year Rs. 268.91 lakhs).

14. Remuneration to directors

Rupees in Lakhs

Particulars	2005 – 2006	2004 – 2005
Salaries	144.00	144.30
Total	144.00	144.30

15. Auditors remuneration:

Rupees in Lakhs

Particulars	2005 – 2006	2004 – 2005
Audit fees (net of service tax where availed)	16.00	17.60
Taxation matters	1.00	1.00
Total	17.00	18.60

16. Licensed and installed capacities and production

Particulars	Unit	2005 – 2006	2004 – 2005
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Production</i>			
Readymade garments	Pcs	21,422,878	17,628,305

17. Purchase of finished goods

Rupees in Lakhs

Products	Unit	2005 – 2006		2004 – 2005	
		Quantity	Amount	Quantity	Amount
Readymade garments	Pcs	3,375	4.81	51,513	51.02
Total		3,375	4.81	51,513	51.02

18. Sales by class of goods

Rupees in Lakhs

Products	Unit	2005-2006		2004-2005	
		Quantity	Amount	Quantity	Amount
Readymade garments					
- Manufactured	Pcs	21,444,381	85,701.51	17,456,402*	70,679.48
- Traded	Pcs	3,375	5.64	51,513	57.14
Others		-	488.42	-	187.52
Total		21,445,680	86,195.57	17,507,915	70,924.14

* excludes free samples of 10,267 (3,418 pcs).

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

19. Stock of finished goods

Rupees in Lakhs

Products	Unit	2005-2006		2004-2005	
		Quantity	Amount	Quantity	Amount
<u>Manufactured:</u>					
Readymade garments	Pcs	778,762	2,543.26	807,443	2,674.11
Total		778,762	2,543.26	807,443	2,674.11

20. Raw materials consumed

Rupees in Lakhs

Products	Unit	2005-2006		2004-2005	
		Quantity	Amount	Quantity	Amount
Cloth	Mts.	40,115,683	37,692.37	33,786,305	31,626.59
Fusible interlining	Mts.	3,925,035	579.25	3,144,453	854.17
Resin	Kgs	162,334	76.51	211,354	88.13
Fibre	Kgs	276,742	200.11	301,877	196.73
Polywadding	Mts.	3,037,302	379.70	1,432,927	1,887.26
Accessories		-	12,657.43	-	10,932.60
Others		-	1,171.95	-	174.30
Total			52,757.32		45,759.79

The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

21. CIF value of imports

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
Capital goods	3,261.33	1,453.63
Raw materials and accessories	40,112.86	33,228.85
Stores and spares	61.58	31.96
Total	43,435.77	34,714.44

22. Expenditure in foreign currency

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
Travelling expenses	57.09	65.61
Brokerage and commission	51.78	117.28
Export claims	114.56	73.62
Salaries	47.89	49.31
Consultancy	77.36	41.14
Others	47.19	37.59
Total	395.87	384.55

23. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Rupees in Lakhs

Particulars	2005 - 2006		2004 - 2005	
	Amount	%	Amount	%
<i>Raw Materials</i>				
Imported	38,016.92	72.06	32,690.22	71.44
Indigenous	14,740.39	27.94	13,069.56	28.56
Total	52,757.31	100.00	45,759.78	100.00
<i>Consumables, Stores and Spares</i>				
Imported	156.48	22.68	24.22	6.43
Indigenous	533.46	77.32	352.70	93.57
Total	689.94	100.00	376.92	100.00

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

24. Earnings in foreign currency

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
FOB value of exports	85,076.96	69,778.36
Freight and Insurance	916.22	1,055.31
Total	85,993.18	70,833.67

25. Information in respect of amounts remitted during the year in foreign currencies in respect of dividends:

Particulars	2005 - 06	2004 - 05
Number of non-resident shareholders on record date	192	-
Number of shares held by such shareholders on record date	23,708	-
Amount in INR remitted during the year as dividend in respect of such holding (gross basis)	47,416	-
Financial year to which the dividend relates	2004-05	-

26. The Company had 25 forward contracts outstanding as at March 31, 2006 for an aggregate amount of Rs. 11,603.80 lakhs that were entered to hedge the foreign exchange risk that arises from the Company's foreign currency receivables. The foreign currency exposure as at the balance sheet date for which the Company has no hedge contracts, aggregates Rs. 3,157.55 lakhs.

27. The previous year figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

M. Venkata Subbaiah

Company Secretary

Place : Bangalore

Dated : May 25, 2006

CASH FLOW STATEMENT

Rupees in Lakhs

PARTICULARS	31.03.2006	31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6,794.04	4,369.67
Adjusted for:		
Depreciation	1,807.67	1,156.69
Interest expenses	1,429.26	1,180.10
Interest earned	(40.33)	(36.77)
(Profit)/Loss on sale of assets (net)	(6.11)	4.05
(Profit)/Loss on sale of investments	(118.24)	(0.12)
Dividend on investments	(170.40)	-
(Profit)/Loss on forward contract	(97.00)	78.30
Goodwill written off	-	1.36
Preliminary expenses amortised	0.66	0.66
Operating Profit / (Loss) before working capital changes	9,599.55	6,753.94
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(1,429.79)	1,411.12
(Increase)/Decrease in Inventories	(8,988.50)	(4,133.65)
Increase/(Decrease) in Trade Payables & Other Liabilities	(182.91)	(4,528.32)
Cash Generated from Operations	(1,001.65)	(496.91)
Taxes paid (net of refund)	(181.00)	(104.65)
Net Cash Flow from Operating Activities	(1,182.65)	(601.57)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	84.35	12.66
Purchase of Fixed Assets	(8,708.30)	(3,553.53)
Proceeds from Sale of Fixed Assets	45.71	56.69
Dividends received	170.40	-
Purchase of Investments	(27,338.72)	-
Proceeds from sale of Investments	21,565.32	1.20
Acquisition of Subsidiaries	(327.80)	(3,093.58)
Net cash flow from investing activities	(14,509.06)	(6,576.56)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Net Proceeds from issue of Share Capital (Including Share Premium)	12,772.15	1,076.03
Proceeds from Packing Credit (net)	2,217.38	3,770.14
Proceeds from Term Loans	800.00	433.84
Repayment of Term Loans	(158.00)	(158.00)
Proceeds from Unsecured Loans	-	4,250.75
Repayment of Unsecured Loans	(12.38)	(1,825.60)
Profit / (Loss) on forward contracts	97.00	(78.30)
Preliminary expenses	-	-
Dividend Payouts (including Dividend Tax)	(391.70)	-
Interest paid	(1,429.26)	(1,180.10)
Net Cash Flow from Financing Activities	13,895.19	6,288.76

CASH FLOW STATEMENT CONTD.

Rupees in Lakhs

PARTICULARS	31.03.2006	31.03.2005
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	(1,796.52)	(889.36)
E. Opening Balance of Cash & Cash Equivalents	1,959.52	2,848.87
F. Closing Balance of Cash & Cash Equivalents	163.00	1,959.52
- Cash and Cash Equivalents include:		
— Cash and Bank balances	163.00	1,959.50
— Unrealised (loss)/gain on foreign currency cash & cash equivalents	-	0.02
	<u>163.00</u>	<u>1,959.52</u>

Schedules referred to above form an integral part of the accounts

As per our report of even date attached to the Balance Sheet.

As per our report of even date

for RSM & Co
Chartered Accountants

VIJAY N. BHATT
Partner
Membership No. F-36647

Place : Mumbai
Dated : May 25, 2006

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director

Rajendra J Hinduja
Executive Director - Fin. & Admn.

M. Venkata Subbaiah
Company Secretary
Bangalore, May 25, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 3 3 4 7 5

Balance Sheet Date 3 1 0 3 2 0 0 6

Date Month Year

State code: 0 8

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Bonus Issue
<input type="text"/> <input type="text"/> 1 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 8 <input type="text"/> 1 <input type="text"/> 2 <input type="text"/> 5	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L
Right Issue	Private Placement
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
<input type="text"/> <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 8 <input type="text"/> 3 <input type="text"/> 7	<input type="text"/> <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 8 <input type="text"/> 3 <input type="text"/> 7
Sources of Funds	Reserves & Surplus
Paid-up Capital	<input type="text"/> <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 8 <input type="text"/> 3 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 7
<input type="text"/> <input type="text"/> <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 1 <input type="text"/> 8 <input type="text"/> 8 <input type="text"/> 0	Unsecured Loans
Secured Loans	<input type="text"/> <input type="text"/> <input type="text"/> 6 <input type="text"/> 4 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 4 <input type="text"/> 8
<input type="text"/> <input type="text"/> 1 <input type="text"/> 5 <input type="text"/> 4 <input type="text"/> 7 <input type="text"/> 7 <input type="text"/> 5 <input type="text"/> 9	
Deferred tax liability (Net)	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 3	
Application of Funds	
Net Fixed Assets including capital work in progress	Investments
<input type="text"/> <input type="text"/> 1 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 2 <input type="text"/> 4 <input type="text"/> 8 <input type="text"/> 2	<input type="text"/> <input type="text"/> <input type="text"/> 9 <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 8 <input type="text"/> 4 <input type="text"/> 6
Net Current Assets	Miscellaneous Expenditure
<input type="text"/> <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 7 <input type="text"/> 3 <input type="text"/> 7	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 4 <input type="text"/> 6 <input type="text"/> 3
Accumulated Losses	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Total income)	Total Expenditure
<input type="text"/> <input type="text"/> 8 <input type="text"/> 6 <input type="text"/> 1 <input type="text"/> 9 <input type="text"/> 5 <input type="text"/> 5 <input type="text"/> 8	<input type="text"/> <input type="text"/> 8 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 8 <input type="text"/> 7 <input type="text"/> 5 <input type="text"/> 4
+ - Profit/Loss before tax	+ - Profit/Loss after tax
<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text"/> <input type="text"/> 6 <input type="text"/> 7 <input type="text"/> 9 <input type="text"/> 4 <input type="text"/> 0 <input type="text"/> 4	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text"/> <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 8 <input type="text"/> 8 <input type="text"/> 3 <input type="text"/> 5
(Please tick appropriate box + for Profit - for Loss)	
Earnings per share in Rs.	Dividend rate %
Basic <input type="text"/> <input type="text"/> <input type="text"/> 3 <input type="text"/> 5 <input type="text"/> . <input type="text"/> 7 <input type="text"/> 6	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 3 <input type="text"/> 0

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code) <input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 1 <input type="text"/> 1 <input type="text"/> 2	Product Description
<input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 5 <input type="text"/> 2 <input type="text"/> 0	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> J <input type="text"/> A <input type="text"/> C <input type="text"/> K <input type="text"/> E <input type="text"/> T <input type="text"/> S
<input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 0	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> S <input type="text"/> H <input type="text"/> I <input type="text"/> R <input type="text"/> T <input type="text"/> S
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> B <input type="text"/> L <input type="text"/> O <input type="text"/> U <input type="text"/> S <input type="text"/> E <input type="text"/> S

For and on behalf of the board

Madanlal J Hinduja
Chairman and Managing Director

Rajendra J Hinduja
Executive Director

M. Venkata Subbaiah
Company Secretary

Bangalore : May 25, 2006

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

Name of the Company	Madhin Trading Pvt. Ltd	Magenta Trading Pvt. Ltd	Rafter Trading Pvt. Ltd.	Reflexion Trading Pvt. Ltd	Deejay Trading Pvt. Ltd	Rishikesh Apparels Pvt. Ltd	Vignesh Apparels Pvt. Ltd	SNS Clothing Pvt. Ltd	Seven Hills Clothing Pvt Ltd	Glamourwear Apparels Pvt. Ltd	Rajdin Apparels Pvt. Ltd	All Colour Garments Pvt. Ltd	Robot Systems Pvt. Ltd
Financial Year ending	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006	31 st March 2006
Share of the subsidiary held by the Company on the above date													
a) Number and Face value shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	10000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	12000 Eq.
b) Extent of holding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net aggregate amount of profit/(loss) of subsidiary for the above financial year so far as they concern members of the Company													
a) dealt within the accounts of the company for the year ended 31 st March 2006	-	-	-	-	-	-	-	-	-	-	-	-	-
b) not dealt within the accounts of the company for the year ended 31 st March 2006	(116,140)	63,681	(44,160)	57,475	524,143	137,249	130,428	(329,762)	26,582	200,930	282,662	20,118	(96,390)
Net aggregate amount of profit for previous financial years of the subsidiary, since it became subsidiary so far as they concern members of the Company													
a) dealt within the accounts of the company for the year ended 31 st March 2005	-	-	-	-	-	-	-	-	-	-	-	-	-
b) not dealt within the accounts of the company for the year ended 31 st March 2005	212,904	134,818	284,857	-	133,771	133,332	445,374	142,126	177,019	156,144	164,756	107,592	-

For and on behalf of the Board

Bangalore
May 25, 2006

Madanlal J Hinduja
Chairman & Managing Director

Rajendra J Hinduja
Executive Director-Finance & Administration

M. Venkata Subbaiah
Company Secretary

ROBOT SYSTEMS PRIVATE LIMITED

BOARD OF DIRECTORS

Shri Madanlal J Hinduja Director
 Shri Rajendra J Hinduja Director
 Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
 Bangalore-560027.

Auditors

M/s N.C.S. Raghavan & Co.,
 Chartered Accountants
 4502, High Point IV, 45, Palace Road
 Bangalore - 560001.

Bankers

Canara Bank
 "Avenue Plaza"
 Avenue Road Branch
 Bangalore - 560002

DIRECTORS REPORT

Your Directors are pleased to present their Annual Report on the business and operations along with the statement of accounts of your Company for the year ended 31st March 2006.

Financial Results:

Particulars	(Rs. Lakhs)	
	Period ended 31 st March 2006	Period ended 31 st March 2005
Income	8.52	132.96
Expenditure	34.87	140.99
Profit	(26.36)	(8.03)
Profit Carried to Balance Sheet	(25.60)	(0.76)

Year under review:

During the year, the management of the Company is changed by transferring the entire shareholding in the Company from the present management to the management of Gokaldas Exports Limited. Consequently, the Company has become a wholly owned subsidiary of Gokaldas Exports Limited with effect from 5th November 2005.

During the year under review, income of the company was at Rs.8.52 lakhs. The Company has reported a higher loss of Rs. 26.36 lakhs as compared to loss of Rs. 8.03 lakhs in the previous year.

Dividend

Your Directors do not recommend any dividend for the year ended 31st March 2006 due to losses incurred by the Company.

Directors

Shri Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors of the Company with effect from 5th November 2005 and vacate their office on the ensuing Annual General Meeting. As per the provisions of section 257 of the Companies Act 1956, the Company has received intimations from the shareholders proposing the appointment of Shri Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja as Directors of the Company from the ensuing Annual General Meeting.

Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that

- In the preparation of annual accounts the applicable accounting standards have been followed by the Company.
- Appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the Profit of the Company for the year ended on that date
- Proper and sufficient care has been taken for the maintenance adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assests of the Company and for preventing and detecting fraud and other irregularities; and
- The annual accounts have been prepared on a going concern basis.

Auditors

Your Company has appointed M/s NCS Raghavan & Co., as Chartered Accountants as Auditors, who would retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

Secretarial Compliance Certificate

As required under section 383A of the Companies Act 1956, Secretarial Compliance Certificate issued by Mr. G Rajendran, Practicing Company Secretary is annexed to this report.

Particulars of Employees

Information as per section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules 1975 none of the employees of the Company was in receipt of remuneration aggregating to Rs. 24,00,000/- per annum

or Rs.2,00,000/- per month and hence, no particulars of employees are required to be furnished.

Conservation of energy, foreign exchange earnings and outgo

Not applicable

Acknowledgements

You Directors thank the Company's bankers, clients and all business associates for their continued support to the company and to the shareholders for the confidence reposed in the Company's management. Your Directors place on record their appreciation for the continued support by the employees at all levels.

For and on behalf of the Board of Directors

Bangalore
 May 24, 2006

MADANLAL J HINDUJA
Director

RAJENDRA J HINDUJA
Director

Annexure to the Directors' Report**COMPLIANCE CERTIFICATE**

COMPANY NO : U31909KA1978PTC003267
 Authorized capital : Rs.25,00,000

To

The Members
 ROBOT SYSTEMS PRIVATE LIMITED,
 No:70,MISSION ROAD,
 BANGALORE – 560027

I have examined the Registers, Records, Books and Documents of M/S. ROBOT SYSTEMS PRIVATE LIMITED as required to be maintained under the Companies Act, 1956, (The Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended on 31-03-2006 (Financial Year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid Financial Year:

- The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provisions of the Act and the Rules made there under and all entries therein have been duly recorded.
- The Company has duly filed the Forms and Returns as stated in Annexure 'B' to the Certificate, with the Registrar of Companies under the Act and the Rules made there under.
- The company being a Private Limited Company has the minimum prescribed Paid-Up Capital and its maximum number of members during the said Financial Year was TWO, excluding its present and past employees and the Company during the Year under scrutiny;
 - has not invited public to subscribe for its shares or debentures; and
 - has not invited or accepted any deposits from persons other than its Members, Directors or their relatives.
- The Board of Directors of the company duly met 7 times on 29.06.2005, 04.08.2005, 19.09.2005, 05.11.2005, (9.30 AM) 05.11.2005, (3.30 PM) 07.11.2005 and 27.03.2006 in respect of which meetings proper Notices were given and the proceedings are properly recorded and signed in the Minutes Book maintained for this purpose.
- The Company was not required to close its Register of Members or Debenture Holders during the Financial Year.
- The Annual General Meeting for the Financial Year ended on 31.03.2005 was held on 02.09.2005 after giving due notice to the members of the Company and the Resolutions passed there at were duly recorded in Minutes Books maintained for the purpose.
- The Company has convened an Extra Ordinary General Meeting on 30.11.2005 for appointment of auditors in a casual vacancy caused by resignation of earlier auditors after giving due notice to the members of the Company and the Resolutions passed there at were duly recorded in Minutes Books maintained for the purpose.
- The Company being a Private Company the provisions of Section 295 of the Act is not applicable.
- The company has duly complied with the provision of Section 297 of the Act in respect of contracts specified in that Section.
- The company has made necessary entries in the Register maintained under Section 301 of the Act.
- As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.

12. The Company has not issued any duplicate Share Certificate during the Financial Year.
13. The company:-
- Had registered the transfer of shares during the financial year and there were no transmission of shares during the same period.
 - The company had not declared dividend and no dividend amount was required to be deposited during the financial year.
 - The Company was not required to post any dividend warrants to member of the company for the dividend during the Financial Year.
 - Not Applicable
 - Duly complied with requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. During the financial year, three additional directors were appointed and three other directors were resigned from the Company for which necessary forms were filed with the Registrar of Companies.
15. The Company being a Private Company, provisions of the Act with regard to appointment of Managing Director / Whole time Director / Manager are not applicable.
16. The Company has not appointed any Sole Selling Agents during the Financial Year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
19. The Company has not issued any Shares/debentures or other securities during the financial year.
20. The company has not bought back any Shares during the Financial Year.
21. There was no Redemption of Preference Shares or Debentures during the financial Year.
22. There were no transactions necessitating the company to keep in abeyance the Rights to Dividend, Rights Shares and Bonus Shares pending Registration of Transfer of Shares.
23. The Company has not invited /accepted any deposits including any unsecured loans falling within the purview of Section 58A during the Financial Year.
24. The company being a Private Company, the borrowings made during the year do not attract provisions of section 293 (1) (d) of the Act.
25. The company has not made any loans or advances or given guarantees or provided securities in other Bodies Corporate and consequently no entries are required to be made in the register kept for the purpose during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the Year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to Share Capital of the company during the financial year.

30. The Company has not altered its Articled of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the Financial Year.
33. The Company has not constituted any separate Trust for its employees and hence the question of deposit of contribution with prescribed authorities Pursuant to Section 418 of the Act does not apply.

PLACE: BANGALORE
DATE: 24.05.2006

(G.RAJENDRAN)
Practicing Company Secretary
C.P.No:6526

ANNEXURE 'A'
(Forming part of Compliance Certificate date 24.05.2006)

Sl. No.	Section No.	Name of the Register
1	108	Share Transfer Register
2	150	Register of Members
3	163	File containing Copies of Annual Returns
4	193	Minutes of all meeting of Board of Directors
5	193(1)	Minutes of General Meetings
6	209	Books of Accounts
7	301(1)	Register of Companies/Firms in which Directors are interested
8	303(1)	Register of Directors, Managers and Secretary
9	307	Register of Director's Shareholding
10	297, 299 and 301	Register of Contracts
11	143 (1)	Register of Charges
12	49(7)	Register of Investments
13	372(5)	Register of Loans and Guarantee
14		Register of Common Seal

PLACE: BANGALORE
DATE: 24.05.2006

(G.RAJENDRAN)
Practicing Company Secretary
C.P.No:6526

ANNEXURE B
(Forming part of Compliance Certificate Dated 24.05.2006)

Returns/Documents / Forms as filed with Registrar of Companies,

Sl. No	Particulars of document	Date of Filing	Whether filed in time	If any delay, whether additional fee paid
1	Balance Sheet etc.	26.09.2005	Yes	NA
2	Annual Return	26.09.2005	Yes	NA
3	Secretarial Compliance Certificate	26.09.2005	Yes	NA
4	Form No. 32	07.11.2005	Yes	NA

PLACE: BANGALORE
DATE: 24.05.2006

(G.RAJENDRAN)
Practicing Company Secretary
C.P.No:6526

AUDITOR'S REPORT

To the members of

M/s ROBOT SYSTEMS PRIVATE LIMITED

We have audited the attached Balance sheet of M/s Robot Systems Private Limited, as at 31st March 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these 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 to obtain reasonable assurance as to whether the financial statements are free from the material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As the Company's Paid-up Capital & Reserves do not exceed Rs.50,00,000/-, as it does not have any loan outstanding exceeding Rs. 25,00,000/- from any bank or financial institution and its turnover is below five crores, matters required to be reported as specified in Para 4 and 5 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company and hence reporting on such matters do not arise.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books

- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards (as applicable) referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) As per the observations made by us, the information and explanation provided to us, there are no transactions or events, which have any adverse effect on the functioning of the company.
- (vi) On the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vii) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and Profit and loss account, gives the information required by the Companies Act, 1956 in the manner so required and give a true and fair view and is in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2006; and
 - (b) In the case of the Profit and Loss Account, of the loss of the company for the year ended on that date.

For, **N.C.S. RAGHAVAN & CO.,**
Chartered Accountants

N.C. SUNDARA RAGHAVAN
Partner
Membership No. F-5952

Place: Bangalore
Date: 24.05.06

BALANCE SHEET AS ON 31.03.2006

PARTICULARS	SCH. #	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
Share Capital	I	12.00	12.00
RESERVES & SURPLUS	I	0.04	26.41
DEFERRED TAX LIABILITY		0.00	0.00
LOAN FUNDS			
A) Secured loans	II	0.00	0.00
B) Unsecured Loans		0.00	11.75
TOTAL		12.04	50.16
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	III	17.86	103.98
Less: Depreciation		13.02	73.30
Net Block		4.84	30.68
Capital Work-In-Progress		1.15	
INVESTMENTS	IV	0.00	0.10
CURRENT ASSETS, LOAN AND ADVANCES :			
A) Inventories	V	0.00	4.23
B) Debtors	VI	0.00	2.98
C) Cash & Bank Balances	VII	0.22	7.17
D) Deposits	VIII	5.28	5.34
F) Other Current Assets	IX	0.45	0.00
E) Loans and Advances	X	0.16	5.74
		6.11	25.46
LESS: Current Liabilities & Provisions:			
A) Current Liabilities	XI	0.05	5.35
B) Provisions	XII	0.01	0.73
		0.06	6.08
NET CURRENT ASSETS		6.05	19.38
MISCELLANEOUS EXPENDITURE			
(To the extent not written off)		0.00	0.00
TOTAL		12.04	50.16

For Robot Systems Private Limited

 As per our report of even date
For N.C.S. Raghavan & Co.,
 Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja** **N.C.Sundara Raghavan**
 Director Director Partner
 Membership No. F-5952

 Place: Bangalore
 Date: 24.05.06

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2006

PARTICULARS	SCH. #	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
INCOME			
Sales	XIII	6.03	124.68
Other Income	XIV	3.81	10.24
Variation of Stock	XV	(1.32)	(1.96)
		8.52	132.96
EXPENDITURE:			
Manufacturing Expenses	XVI	6.34	118.16
Repairs & Maintenance	XVII	0.33	1.60
Personnel Cost	XVIII	7.52	10.24
Selling & Administrative Expenses	XIX	9.18	4.62
Financial Charges	XX	0.02	1.48
Depreciation	III	2.73	4.85
Loss on sale of Fixed Assets		8.39	0.00
Loss On Assets Scraped		0.36	0.04
Loss on Sale of Shares		0.00	0.00
		34.87	140.99
PROFIT		(26.35)	(8.03)
Less: Prior Period Expenses		0.00	0.00
Less: Tax Expense		0.01	0.00
		(26.36)	(8.03)
Profit Brought Forward		0.76	0.79
Less: Deferred Tax Liability		0.00	0.00
Add: Transfer from General Reserve		0.00	8.00
PROFIT CARRIED TO BALANCE SHEET		(25.60)	0.76

For Robot Systems Private Limited

 "As per our report of even date"
For N.C.S. Raghavan & Co.,
 Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja** **N.C.Sundara Raghavan**
 Director Director Partner
 Membership No. F-5952

 Place: Bangalore
 Date: 24.05.06

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.06

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SCHEDULE - I		
SOURCES OF FUNDS		
SHAREHOLDERS FUNDS		
Authorised Capital		
25,000 Equity Shares of Rs. 100/- each	25.00	25.00
Issued, Subscribed & Paid Up Capital		
12,000 Equity Shares of Rs.100/- each (including 9000 Equity Shares issued as Bonus Shares by capitalisation of Rs.9,00,000/- out of General Reserves)	12.00	12.00
TOTAL	12.00	12.00

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
RESERVES & SURPLUS		
General reserves	25.42	25.43
Capital Reserves	0.22	0.22
Surplus/(Deficiency) in P/L Account	(25.60)	0.76
TOTAL	0.04	26.41
SCHEDULE - II		
LOAN FUNDS		
Secured Loans	0.00	0.00
Unsecured Loans		
From Directors	0.00	1.21
From Shareholders	0.00	10.54
TOTAL	0.00	11.75

SCHEDULES III - FIXED ASSETS

Particulars	Rate	Gross Block				Depreciation Block				Net Block	
	%	As on 01.04.2005	additions	deletion	as on 31.03.06	as on 01.04.05	for the period	with drawal	as on 31.03.06	as on 31.03.06	as on 31.03.05
LAND		0.97	-	-	0.97	-	-	-	0.00	0.97	0.97
BUILDING	3.34%	10.71	-	0.00	10.71	7.00	0.35	0.00	7.35	3.36	3.71
PLANT & MACHINERY	5.28%	55.54	-	51.55	3.99	45.81	1.02	42.93	3.90	0.09	9.72
RESEARCH EQUIPMENT	5.28%	2.72	-	2.72	0.00	1.79	0.08	1.87	0.00	0.00	0.92
COMPUTER SYSTEMS	7.07%	1.88	-	1.88	0.00	0.74	0.04	0.78	0.00	0.00	1.14
FURNITURE & FIXTURE	6.33%	3.91	-	2.38	1.53	3.28	0.14	2.11	1.31	0.22	0.62
TYPEWRITER	7.07%	0.43	-	0.43	0.00	0.36	0.01	0.37	0.00	0.00	0.08
AIR CONDITIONER & REFIGARATOR	7.07%	0.86	-	0.86	0.00	0.58	0.02	0.60	0.00	0.00	0.28
VEHICLES	7.07%	23.31	-	23.31	0.00	12.52	0.97	13.49	0.00	0.00	10.80
C.C.TV. SYSTEMS	7.07%	2.43	-	2.43	0.00	0.66	0.06	0.72	0.00	0.00	1.78
OFFICE EQUIPMENTS	7.07%	0.77	-	0.42	0.35	0.32	0.03	0.12	0.23	0.12	0.45
BOREWELL	3.34%	0.44	-	0.13	0.31	0.24	0.01	0.02	0.23	0.08	0.20
TOTAL		103.97	0.00	86.11	17.86	73.30	2.73	63.01	13.02	4.84	30.67

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.06

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SCHEDULE - IV		
INVESTMENTS		
Shares (Quoted - Long Term)		
In Khaitan Electricals Ltd. - 70 Shares	0.00	0.01
In Khaitan Electricals Ltd. - 70 Shares	0.00	0.01
In Alsthom limited - 100 Shares	0.00	0.08
TOTAL	0.00	0.10
SCHEDULE - V		
INVENTORIES		
Stores, Spares and Packing Materials (At Cost or NRV whichever is less)	0.00	0.33
Finished Goods (At Cost or NRV whichever is less)	0.00	0.00
Work-In-Progress (At Cost or NRV whichever is less)	0.00	0.40
Raw Materials (At Cost or NRV whichever is less)	0.00	2.58
Scrap & Process Rejection (At Estimated Realisable Value)	0.00	0.92
TOTAL	0.00	4.23
SCHEDULE - VI		
SUNDRY DEBTORS		
Unsecured - Considered Good		
Over Six Months	0.00	1.01
Others	0.00	1.97
TOTAL	0.00	2.98
SCHEDULE - VII		
CASH AND BANK BALANCES		
Bank Balance - In Fixed Deposit Account	0.00	0.19
Bank Balance	0.08	6.88
Cash In Hand	0.14	0.10
TOTAL	0.22	7.17
SCHEDULE - VIII		
DEPOSITS		
KEB Deposit	5.25	5.25
Indian Oil Corporation	0.02	0.03
Security Deposit with Registered Office	0.00	0.05
Sales Tax Deposit	0.00	0.00
Deposit with BWSSB	0.01	0.01
TOTAL	5.28	5.34

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.06

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SCHEDULE - IX		
OTHER CURRENT ASSETS		
Gokaldas Exports Ltd	0.45	0.00
TOTAL	0.45	0.00
SCHEDULE - X		
LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received or adjusted		
Ms. Sandhya Jain	-	0.02
Advances to Staff	-	0.01
Excise P/L Account	-	0.10
Excise RG 23	-	0.24
Cheques in Hand	-	-
Advance from Suppliers & Services	-	4.92
TDS Refundable	0.16	0.37
CENVAT Credit Receivable	-	0.08
TOTAL	0.16	5.74
SCHEDULE - XI		
CURRENT LIABILITIES		
Sundry Creditors	0.00	0.26
Liability for Expenses	0.05	1.33
Laibility for Others	0.00	0.32
Statutory Liabilities	0.00	0.57
Advance from Customers	0.00	2.87
TOTAL	0.05	5.35
SCHEDULE - XII		
PROVISIONS		
Provision for Gratuity	0.00	0.73
Provision for Tax	0.01	0.00
TOTAL	0.01	0.73
SCHEDULE - XIII		
SALES		
Gross Sales	7.10	145.38
Less: Excise Duty	1.07	20.70
TOTAL	6.03	124.68

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.06

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SCHEDULE - XIV		
OTHER INCOME		
JOBWORK CHARGES RECEIVED		
Jobwork Charges Received	0.56	6.83
Interest Received From Others	0.03	0.00
Interest received from Overdue Bills	0.00	0.17
Profit on Sale of Fixed Assets	0.65	2.60
Dividend Received	0.00	0.00
Profit on Sale of Shares	0.00	0.00
Profit on Sale of Metering Pumps	0.00	0.40
Interest Received from Banks	0.00	0.01
Sundry Balances Written Back	2.57	0.00
Provision no longer required written back	0.00	0.23
TOTAL	3.81	10.24
SCHEDULE - XV		
VARIAION OF STOCK		
Closing Stock		
Materials in Process	0.00	0.40
Finished Goods	0.00	0.00
Scrap & Process Rejections	0.00	0.92
Sub-Total	0.00	1.32
Opening Stock		
Materials in Process	0.40	0.87
Finished Goods	0.00	1.31
Scrap & Process Rejections	0.92	1.10
Sub-Total	1.32	3.28
Increase/(Decrease) In Stock	(1.32)	(1.96)
SCHEDULE - XVI		
MANUFACTURING EXPENSES		
Materials Consumed		
Raw Materials Consumed	4.65	104.31
Stores & Dies Consumed	0.08	0.69
Packing Materials Consumed	0.00	0.68
Power & Fuel	1.55	11.28
Job Work Charges paid	0.00	0.02
Repairs & Maintenance		
Building	0.00	0.07
Machineries	0.01	0.91
Others	0.05	0.20
TOTAL	6.34	118.16

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.06

PARTICULARS	(Rs. in Lakhs) 31.03.06	(Rs. in Lakhs) 31.03.05
SCHEDULE - XVII		
REPAIRS & MAINTENANCE		
Vehicle/Car Maintenance	0.33	1.60
TOTAL	0.33	1.60
SCHEDULE - XVIII		
PERSONNEL COST		
Salaries, Wages & Bonus	2.52	6.37
Directors Sitting Fees	0.03	0.00
Directors Remuneration Fees	0.00	2.89
Employees Welfare Expenses	0.04	0.38
Contribution to PF and other Funds	0.24	0.60
Gratuity	4.69	0.00
TOTAL	7.52	10.24
SCHEDULE - XIX		
SELLING & ADMINISTRATIVE EXPENSES		
Auditors Remuneration	0.11	0.12
Bad Debts	5.67	0.00
Books & Periodicals	0.01	0.00
Discount on Sales	0.00	1.09
Lighting Charges	0.28	0.00
Freight & Carriage	0.00	0.10
General Charges	0.11	0.00
Insurance Premium	0.06	0.17
Legal Charges	2.08	0.00
Miscellaneous Expenses	0.56	2.02
Postage, Telegrams & Telephone	0.14	0.77
Professional & Consultation Fees	0.05	0.02
Rates & Taxes	0.09	0.25
Sundry Balances Written off	0.00	0.00
Travelling & Conveyance	0.02	0.08
TOTAL	9.18	4.62
SCHEDULE - XX		
FINANCIAL EXPENSES		
Interest paid to Bank	0.00	0.03
Interest paid to Directors/Shareholders	0.00	1.27
Bank Charges	0.02	0.18
TOTAL	0.02	1.48

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS

1. BACKGROUND

Robot Systems Private Limited (herein after referred to as "the Company") was incorporated on 29th April 1971. The Company became a subsidiary of Gokaldas Exports Limited on 5th November 2005.

2. ACCOUNTING CONVENTION:

The financial statements are prepared under the historical cost convention, in accordance with applicable Accounting Standards and the provisions of Companies Act, 1956.

3. SIGNIFICANT ACCOUNTING POLICIES:

> Fixed Assets:

Fixed Assets have been stated at cost of acquisition, installation, commissioning, duty and other expenses to bring the assets to their present condition less depreciation.

> Depreciation:

Depreciation on fixed assets has been provided using the "Straight Line Method" in accordance with the provisions of Section 205 (2) (b) of the Companies Act, 1956 and the general accounting practices prevailing in the Country.

> Recognition of Income and Expenditure:

Revenue/Income and Costs/Expenditure are generally accounted on accrual basis as they are earned or incurred.

4. There are no employees drawing remuneration amounting to Rs. 24.00 lakhs per annum or Rs. 2.00 lakhs per month as required to be disclosed under section 217(2A) of Companies Act, 1956.

5. DEFERRED TAX LIABILITY

In accordance with the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, Deferred Tax Asset/Liability for the year ended 31.03.2006 is not accounted in the accounts for the current year since there is no certainty of realization of the same.

6. CONTINGENT LIABILITY

- a. Unredeemed Bank Guarantee - NIL
- b. Letter of Credit - NIL

7. QUANTITATIVE INFORMATION – As certified by the Management. Rs. In Lakhs

Particulars	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
A. PRODUCTION DATA						
i. Licensed Capacity						
Enameled Copper Wires	MT	N.A	-	MT	N.A	-
ii. Installed Capacity						
Enameled Copper Wires	MT	500	-	MT	500	-
iii. Actual Production						
Enameled Copper Wires	MT	Nil	-	MT	25,877	-
Bare Copper Wire for Job Working and Sales	MT	7.453	-	MT	87,839	-
B. TURNOVER						
i. Finished & Semi - Finished Goods						
Enameled Copper Wires	MT	Nil	Nil	MT	26.612	63.58
ii. Bare Copper Wires	MT	2.596	5.06	MT	28.836	55.75
iii. Scrap	MT	0.690	0.97	MT	3.926	5.36
C. STOCK OF FINISHED GOODS						
Opening Stock	MT	-	-	MT	0.47	1.31
Closing Stock	MT	-	-	MT	-	-
D. RAW MATERIALS CONSUMED						
Copper	MT	2.375	4.65	MT	57.342	99.49
Enamel	MT	Nil	Nil	MT	3.844	4.81
E. Raw Materials, Stores and Spares consumed are 100% indigeneous						
F. C.I.F Value of Imported Raw Materials Purchased : NIL						
G. Expenditure in Foreign Currency during the year: NIL						

8. Previous year's figures have been regrouped/rearranged wherever necessary

for and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

For N.C.S. Raghavan & Co.,
Chartered Accountants

Place: Bangalore
Date: 24.05.06

N.C.Sundara Raghavan
Partner
Membership No. F-5952

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2006

PARTICULARS	(Rs. in Lakhs) 2005-2006	(Rs. in Lakhs) 2004-2005
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax	(26.35)	(8.03)
Adjusted for:		
Depreciation	2.73	4.85
Interest expenses	0.00	1.48
Interest earned	(0.03)	(0.17)
(Profit)/Loss on sale of assets (net)	(0.65)	(3.00)
(Profit)/Loss on sale of investments	8.75	0.00
Dividend on investments	0.00	0.00
Goodwill written off	0.00	0.00
Preliminary expenses amortised	0.00	0.00
Operating Profit / (Loss) before working capital changes	(15.55)	(4.87)
Adjustments for:		
(Increase)/Decrease in Debtors	2.98	16.85
(Increase)/Decrease in Loans and Advances	5.59	(0.01)
(Increase)/Decrease in Inventories	4.23	0.30
(Increase)/Decrease in Other Current Assets	(0.39)	0.00
Increase/(Decrease) in Current Liabilities and Provisions	(6.03)	(3.35)
Cash Generated from Operations	(9.17)	8.92
Taxes paid (net of refund)	0.00	0.00
Net Cash Flow from Operating Activities	(9.17)	8.92
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	0.03	0.17
Purchase of Fixed Assets	0.00	(0.03)
Capital Work in Progress	(1.15)	0.00
Proceeds from Sale of Fixed Assets	15.00	3.14
Dividends received	0.00	0.00
Purchase of Investments	0.00	0.00
Proceeds from sale of Investments	0.09	0.00
Net Cash Flow from Investing Activities	13.97	3.28
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Net Proceeds from issue of Share Capital (Including Share Premium)	0.00	0.00
Proceeds from Packing Credit (net)	0.00	0.00
Proceeds from Term Loans	0.00	0.00
Repayment of Term Loans	0.00	(1.67)
Proceeds from Unsecured Loans	0.00	0.00
Repayment of Unsecured Loans	(11.75)	(5.48)
Profit / (Loss) on forward contracts	0.00	0.00
Preliminary expenses	0.00	0.00
Dividend Payouts (including Dividend Tax)	0.00	0.00
Interest paid	0.00	(1.48)
Net Cash Flow from Investing Activities	(11.75)	(8.63)
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	(6.95)	3.57
E. Opening Balance of Cash & Cash Equivalents	7.17	3.59
F. Closing Balance of Cash & Cash Equivalents		
- Cash and Cash Equivalents include:		
— Cash and Bank balances	0.22	7.17
— Unrealised (loss)/gain on foreign currency cash & cash equivalents	0.22	7.17

For Robot Systems Private Limited

 As per our report of even date
For N.C.S. Raghavan & Co.,
 Chartered Accountants

Madanlal J Hinduja
 Director

Rajendra J Hinduja
 Director

N.C.Sundara Raghavan
 Partner
 Membership No. F-5952

 Place: Bangalore
 Date: 24.05.06

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I Registration details

 REGISTRATION NO

BALANCE SHEET DATE

STATE CODE

II. Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

RIGHTS ISSUE

BONUS ISSUE

PRIVATE PLACEMENT

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

TOTAL ASSETS

Sources of funds

PAID UP CAPITAL

RESERVES & SURPLUS

SECURED LOANS

UNSECURED LOANS

Deferred Tax Liability (Net)

Application of funds

 NET FIXED ASSETS
 including capital work in progress

INVESTMENTS

NET CURRENT ASSETS

MISC EXPENDITURE

ACCUMULATED LOSSES

DEFERRED TAX ASSET

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER TOTAL INCOME

TOTAL EXPENDITURE

+ - PROFIT/(LOSS) BEFORE TAX

☒

+ - PROFIT AFTER TAX

☒

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

 EARNING PER SHARE
 (on profit after taxes)

DIVIDEND RATE %

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
 Director

Rajendra J Hinduja
 Director

Bangalore: May 24, 2006

Auditors' report to the Board of Directors of Gokaldas Exports Limited on the consolidated financial statements of Gokaldas Exports Limited

We have audited the attached Consolidated Balance Sheet of Gokaldas Exports Limited and its subsidiaries ('the Group') as at March 31 2006, the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (all together referred to as 'the Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the management of Gokaldas Exports Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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 whether the Consolidated Financial Statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of nine subsidiaries, whose separate financial statements reflect total assets of Rs. 360,176,331 as at March 31, 2006 and total revenues of Rs. 8,140,311 and net cash inflows of Rs. 35,426,588 for the year then ended. These financial statements and other financial information 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 such subsidiaries, is based solely on the report of the other auditors. Further, one of the joint auditors has audited the financial statements of four subsidiary companies and their reports on the financial statements of such subsidiaries have been considered in arriving at our opinion on the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the management of Gokaldas Exports Limited in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

Based on our audit and on the consideration of reports of other auditors on the separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2006;
- (b) In the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- (c) in the case of consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner
Membership No.: F-36647

Mumbai: May 25, 2006

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 25, 2006

CONSOLIDATED BALANCE SHEET for the year ended 31.03.2006

Rupees in Lakhs

	Schedule	As at March 31, 2006	As at March 31, 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	1,718.80	1,406.30
Reserves and Surplus	II	<u>32,869.96</u>	<u>15,251.81</u>
		34,588.76	16,658.11
Minority interest		-	0.16
Loan Funds			
Secured Loans	III	15,477.59	12,618.20
Unsecured Loans	IV	<u>6,790.41</u>	<u>6,436.93</u>
		22,268.00	19,055.13
Deferred tax liability (net)		<u>525.90</u>	<u>345.61</u>
Total		<u>57,382.66</u>	<u>36,059.01</u>
APPLICATION OF FUNDS			
Fixed Assets	V		
Gross Block		23,455.44	14,480.46
Less : Depreciation		<u>6,147.41</u>	<u>4,096.33</u>
Net Block		17,308.03	10,384.13
Capital Work-in-process (including capital advances)		<u>1,414.90</u>	<u>294.48</u>
		18,722.93	10,678.61
Investments	VI	5,899.69	6.01
Current Assets, Loans and Advances	VII		
Inventories		27,575.69	18,700.74
Sundry Debtors		5,897.95	5,896.31
Cash & Bank Balances		1,113.93	2,247.62
Other Current Assets		1,210.06	313.08
Loans & Advances		<u>4,422.55</u>	<u>4,193.36</u>
		40,220.18	31,351.11
Less: Current Liabilities and Provisions	VIII		
Liabilities		6,078.57	5,092.88
Provisions		<u>1,386.95</u>	<u>890.82</u>
		<u>7,465.52</u>	<u>5,983.70</u>
Net Current Assets		32,754.66	25,367.41
Miscellaneous Expenditure (to the extent not written off or adjusted)	IX	5.38	6.98
Total		<u>57,382.66</u>	<u>36,059.01</u>
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for RSM & Co
Chartered Accountants
VIJAY N. BHATT
Partner
Membership No. F-36647
Place : Mumbai
Dated : May 25, 2006

for GIRISH MURTHY & KUMAR
Chartered Accountants
A.V. SATISH KUMAR
Partner
Membership No. F-26526
Place : Bangalore
Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

M. Venkata Subbaiah
Company Secretary
Bangalore, May 25, 2006

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	Schedule	As at March 31, 2006	As at March 31, 2005
INCOME			
Sales	X	87,034.12	71,349.48
Other Income	XI	2,702.78	1,046.05
		89,736.90	72,395.53
EXPENDITURE			
Purchase of Finished Goods		115.30	57.32
(Increase) / Decrease in Stocks	XII	(2,974.02)	(2,161.19)
Material, Manufacturing and Operating Expenses	XIII	56,503.07	51,661.57
Personnel Costs	XIV	19,993.24	11,336.73
Sales & Administrative Expenditure	XV	5,655.53	4,623.41
Finance Charges	XVI	1,444.82	1,189.58
Depreciation	V	2,103.11	1,294.72
		82,841.05	68,002.13
Profit Before Tax and minority interest		6,895.85	4,393.39
Provision for Taxation			
— Current Taxation		238.32	170.00
— Deferred tax		368.78	226.10
— Fringe Benefit Tax		33.76	-
— Income Tax of Earlier Years		158.07	17.94
		6,096.92	3,979.35
Pre-acquisition Profit		-	10.54
Minority interest adjustment for the year		-	0.15
Net profit for the year		6,096.92	3,968.66
Profit Brought Forward from Previous Year		3,486.69	293.73
Minority interest adjustment		0.16	-
Amount available for appropriation		9,583.77	4,262.39
Appropriations			
Proposed Dividend		515.64	343.76
Tax on Dividends		84.59	35.94
Transfer to General Reserve		610.00	396.00
		1,210.23	775.70
Balance transferred to Balance Sheet		8,373.54	3,486.69
Earning per Share of Rs. 10/- each - basic and diluted		35.81	29.07
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for RSM & Co
Chartered Accountants

VIJAY N. BHATT
Partner
Membership No. F-36647
Place : Mumbai
Dated : May 25, 2006

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR
Partner
Membership No. F-26526
Place : Bangalore
Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

M. Venkata Subbaiah
Company Secretary
Bangalore, May 25, 2006

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE I - SHARE CAPITAL		
Authorized		
20,000,000 (20,000,000) Equity Shares of Rs.10/- each	<u>2,000.00</u>	<u>2,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
17,188,000 (14,063,000) Equity Shares of Rs.10/- Each fully paid-up (Out of the above 3,563,000 shares have been allotted as fully paid-up pursuant to amalgamation without payment being received in cash)	<u>1,718.80</u>	<u>1,406.30</u>
	<u>1,718.80</u>	<u>1,406.30</u>
SCHEDULE - II - RESERVES & SURPLUS		
Capital Reserve		
Balance as per last balance sheet	9,769.12	9,769.12
Securities Premium Account		
Balance as per last balance sheet	1,600.00	-
Add: Received on issue of equity shares	12,968.75	1,600.00
Less: Share issue expenses adjusted	<u>(847.45)</u>	<u>-</u>
	13,721.30	1,600.00
General Reserve		
Balance as per last balance sheet	396.00	-
Add: Transferred from Profit and Loss Account	<u>610.00</u>	<u>396.00</u>
	1,006.00	396.00
Surplus in Profit & Loss Account	<u>8,373.54</u>	<u>3,486.69</u>
	<u>32,869.96</u>	<u>15,251.81</u>
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks (Secured by hypothecation of Raw Materials, Finished Goods, Book debts)	14,211.61	11,994.22
Term Loan from Banks (Under Technology Upgradation Fund Scheme) (Secured by hypothecation of specific fixed Assets purchased under term loan)	<u>1,265.98</u>	<u>623.98</u>
	<u>15,477.59</u>	<u>12,618.20</u>
SCHEDULE IV - UNSECURED LOANS		
From Directors	4,828.11	4,461.42
From Others	<u>1,962.30</u>	<u>1,975.51</u>
	<u>6,790.41</u>	<u>6,436.93</u>

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE - V - FIXED ASSETS (at cost less depreciation)

Rupees in lakhs

Particulars	Gross Block				Depreciation				Net Block		
	As on 01.04.2005	Additions	Additions subsidarisation	Deletion	As on 31.03.2006	As on 01.04.2005	Additions on subsidarisation	For the Year	Deletion	As on 31.03.2006	As on 01.04.2005
Goodwill	-	314.79	-	-	314.79	-	-	-	-	314.79	-
Freehold Land	374.83	342.97	0.97	-	718.76	-	-	-	-	718.76	374.83
Building	1,283.83	483.63	11.02	3.25	1,775.23	352.65	7.21	125.66	0.38	1,290.09	931.18
Computer	372.25	153.73	-	-	525.98	231.24	-	89.24	-	205.50	141.01
Electrical Equipments	422.98	507.03	-	0.90	929.11	74.84	-	86.12	0.08	768.22	348.14
Furniture & Fixtures	636.55	288.98	1.52	0.63	926.43	150.88	1.22	103.63	0.08	670.78	485.67
Improvement on Lease Hold	65.78	94.80	-	-	160.58	3.40	-	10.96	-	146.23	62.38
Office Equipments	137.84	60.37	0.36	3.45	195.12	62.57	0.22	14.71	1.40	119.03	75.27
Plant & Machinery	10,859.39	6,722.38	3.99	93.52	17,492.24	3,090.17	3.75	1,607.80	57.74	12,848.24	7,769.22
Vehicles	327.01	96.82	-	6.63	417.20	130.58	-	64.99	4.75	226.39	196.43
Total	14,480.46	9,065.50	17.86	108.38	23,455.44	4,096.33	12.40	2,103.11	64.43	17,308.03	10,384.13
Previous year	5,808.67	7,605.40	1,227.13	160.74	14,480.46	1,132.63	1,748.22	1,294.72	79.24	10,384.13	4,676.04

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE VI - INVESTMENTS		
[Non-trade, at cost]		
A. Long-term Investments		
In Government Securities [unquoted]		
National Savings Certificate	3.01	0.73
Indira Vikas Pathra	0.03	0.12
	<u>3.04</u>	<u>0.85</u>
In Bonds [unquoted]		
2,700 (Previous year 2,700) US 64 Bonds of Rs 100 each, fully paid up	5.16	5.16
B. Current Investments		
In Mutual Funds [Quoted]		
14,684,575.322 (Previous Year NIL) units of Rs 10/- each in Prudential ICICI - Blended A Plan Divident	1,500.00	-
24,905,944.717 (Previous Year Nil) Units of Rs. 10/- each in JM Equity Derivative fund - dividend Plan	2,526.23	-
28,52,781.149 (Previous Year Nil) Units of Rs.10/- each in HDFC Multiple yeild fund - dividend	285.83	-
15,788,440.503 (Previous Year Nil) Units of Rs.10/- each in Prudential ICICI Blended Plan B Divident	1,578.92	-
5,084,026 (Previous Year Nil) Units of Rs.10/- each in Prudential ICICI Floatong Rate Plan Divident	0.51	-
	<u>5,891.49</u>	<u>-</u>
	5,899.69	6.01
Aggregate cost of quoted investments	5,891.49	-
Aggregate market value of quoted investments	6,003.11	-
Aggregate cost of un-quoted investments	8.20	6.01

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
(Refer Note No. B(c) to schedule XVII for mode of valuation of inventories)		
Raw Material and Packing Materials	19,489.34	13,722.06
Consumable Stores and Spare parts	430.73	297.07
Work-in-Progress	4,598.56	1,393.32
Finished Goods	3,057.06	3,288.29
	27,575.69	18,700.74
Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	104.11	48.89
Other debts	5,793.84	5,847.42
	5,897.95	5,896.31
Cash and Bank Balances :		
Cash on Hand	224.64	56.47
Bank Balances with Scheduled Banks		
— in Current Accounts	588.33	1,707.34
— Fixed Deposit Account	300.00	482.85
— As Margin against Bank Guarantees	0.96	0.96
	1,113.93	2,247.62
Other Current Assets		
Interest accrued on bank deposits	4.95	48.97
Others	1,201.26	264.11
	1,210.06	313.08
LOANS AND ADVANCES :		
Advances recoverable in cash or for value to be received		
— for Supplies and Services	1,121.38	890.34
— Others	319.90	107.04
— from Staff	146.77	96.56
Taxes paid in Advance - Fringe Benefit Tax	24.75	-
Taxes paid in Advance - Income Tax	778.98	758.24
Expenses relating to Public Issue	-	573.96
Deposits	2,030.77	1,767.22
	4,422.55	4,193.36
	40,220.18	31,351.10

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	As at March 31, 2006	As at March 31, 2005
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
- Due to Small Scale Industrial Undertakings	66.34	78.03
- Due to Others	2,306.69	2,645.56
- Advance received from customers	66.45	35.99
Other Liabilities	3,021.18	2,213.56
Book Over Draft	617.64	119.74
Dividends Declared pending encashment (not due to investors Education and Protection fund)	0.27	-
	6,078.57	5,092.88
PROVISIONS :		
Proposed Dividend	515.64	343.76
Tax on Proposed Dividends	72.32	35.94
Provision for Gratuity	119.39	161.00
Provision for Leave Encashment	152.13	161.28
Provision for Taxation	501.91	188.84
Provision for Fringe Benefit Tax	25.56	-
	1,386.95	890.82
	7,465.52	5,983.70
SCHEDULE IX - MISCELLANEOUS EXPENSES		
(to the extent not written off or adjusted)		
Pre-operative expenses	-	0.85
Preliminary Expenses	6.13	6.88
Less : Amortised during the year	0.75	0.75
	5.38	6.13
	5.38	6.98

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	For the year ended March 31, 2006	For the year ended March 31, 2005
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	85,076.96	69,778.36
— Domestic Sales	1,373.70	1,339.70
Sale of other items	569.34	217.69
Contract Receipts	14.12	13.73
	87,034.12	71,349.48
SCHEDULE XI - OTHER INCOME		
Export Incentives	937.00	442.51
Foreign Exchange Difference(net)	-	175.09
Surplus on Forward Contract	97.00	-
Other Operating Income	1,220.19	-
Dividends on current investments	170.40	-
Interest [Tax Deducted at source Rs. 702,547 (previous year Rs.725,790)]	44.31	38.86
Miscellaneous Income	33.02	389.47
Prior Period Income	3.10	-
Profit on sale of current investments	118.24	0.12
Profit on sale of fixed assets	6.11	-
Sundry Credit Balances Written Back	73.41	-
	2,702.78	1,046.05
Schedule XII - (INCREASE)/DECREASE IN STOCKS		
<u>Opening Stock</u>		
Finished Goods	3,288.29	2,520.41
Work-in-progress	1,393.31	-
	4,681.60	2,520.41
<u>Closing Stock</u>		
Finished Goods	3,057.06	3,288.29
Work-in-progress	4,598.56	1,393.31
	7,655.62	4,681.60
	(2,974.02)	(2,161.19)
SCHEDULES XIII - MATERIALS, MANUFACTURING AND OPERATING EXPENSES		
Consumption of Raw Materials and Packing Materials	52,964.42	45,922.90
Consumption of Consumables, stores and spares	793.90	407.73
Job Work Charges	614.70	1,310.98
Power & Fuel	1,528.66	861.80
Repairs & Maintainance - plant	267.35	199.37
Other Manufacturing Expenses	334.04	2,958.79
	56,503.07	51,661.57
SCHEDULE XIV - PERSONNEL COSTS		
Salaries, Wages & Bonus	17,324.21	9,803.23
Contribution to Provident Fund & Other Funds	2,392.92	1,326.76
Welfare Expenses	276.11	206.73
	19,993.24	11,336.72

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

Rupees in Lakhs

	For the year ended March 31, 2006	For the year ended March 31, 2005
SCHEDULE XV - SALES AND ADMINISTRATIVE EXPENSES		
Advertisement, Publicity & Business Promotion	119.46	106.59
Auditors' Remuneration	21.93	22.16
Charity & Donation	27.92	7.64
Clearing, Forwarding and Freight	1,081.83	739.49
Commission Discount & Brokerage	440.32	335.44
Communication Costs	318.00	225.30
Customs Duty	53.49	189.06
Directors' Remuneration	144.00	144.30
Export Claims	97.03	63.50
Foreign Exchange Difference(net)	379.05	-
Goodwill written off	-	4.09
Insurance	122.88	134.43
Legal & Professional Charges	286.96	333.41
Loss on Forward Contracts	-	78.30
Loss on sale of assets	0.76	6.59
Membership & Subscription	35.22	35.85
Preliminary Expenses amortized	0.75	0.74
Preoperative Expenses amortized	0.06	0.22
Printing & Stationery	273.84	137.34
Quota Purchase	-	582.15
Rates and Taxes	117.66	98.47
Rent	1,012.76	561.31
Repairs & Maintenance		
— Building	72.26	84.80
— Others	435.77	307.99
Security Transaction Tax	0.96	-
Sundry Expenses	300.62	169.34
Travelling & Conveyance	312.00	254.92
	5,655.53	4,623.41
SCHEDULE XVI - FINANCIAL CHARGES		
Bank Charges	441.33	720.36
Bank Interest		
— On Fixed Loans	20.19	34.21
— On Others	983.30	435.01
	1,444.82	1,189.58

NOTES TO ACCOUNTS

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Principles of Consolidation

1. The Consolidated Financial Statements relate to the Company [Gokaldas Exports Limited] and its subsidiaries. The consolidated Financial Statements have been prepared on the following basis:
 - (i) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with the requirements of Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by The Institute of Chartered Accountants of India.
 - (ii) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate Financial Statements, except as otherwise stated in the Notes to Account where variations in accounting policies are not of a material nature.
 - (iii) The difference between the costs of investment in the subsidiaries over the net assets as on the date of acquisition of shares in the subsidiaries is recognized in the Consolidated Financial Statements as Goodwill (if investment exceeds net assets) or Capital Reserve (if net assets exceeds cost of investment) as the case may be.
 - (iv) Minority Interest’s share of Net Profit/Loss of the group for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.
 - (v) Minority Interest’s share of Net Assets of the group is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company’s shareholders.
2. Investments other than in subsidiaries have been accounted for as per Accounting Standard (AS) – 13 on “Accounting for Investments” issued by The Institute of Chartered Accountants of India.

B. Significant Accounting Policies

a. *Basis of preparation of financial statements and use of estimates*

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“Indian GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. *Fixed assets and depreciation*

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. *Inventories*

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work in progress includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. *Revenue recognition*

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory/warehouse.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of finished goods, in accordance with requirement of AS 9.

NOTES TO ACCOUNTS

e. Export incentives

Export incentives comprise of duty drawback. The benefit under this incentive scheme is available based on the guideline formulated by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

k. Share issue expenses

Share issue expenses are adjusted against the securities premium on issue of shares.

C. Notes to Account

Basis of consolidation

The Consolidated Financial Statements relate to Gokaldas Exports Ltd and all its subsidiary companies. All the subsidiary companies are incorporated in India and are wholly owned by the Company. These Consolidated Financial Statements are prepared in accordance with the requirements of Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by The Institute of Chartered Accountants of India and are prepared based on the audited financial statements of the following subsidiary companies for the year ended March 31, 2006:

Name of the Company

- i. All Colour Garments Private Limited
- ii. Deejay Trading Private Limited
- iii. Glamourwear Apparels Private Limited
- iv. Madhin Trading Private Limited
- v. Magenta Trading Private Limited
- vi. Rafter Trading Private Limited
- vii. Rajdin Apparels Private Limited
- viii. Reflexion Trading Private Limited
- ix. Rishikesh Apparels Private Limited
- x. Seven Hills Clothing Private Limited
- xi. SNS Clothing Private Limited
- xii. Vignesh Apparels Private Limited
- xiii. Robot Systems Private Limited *

* became a subsidiary company on November 5, 2005.

NOTES TO ACCOUNTS

1. Contingent liabilities

Rupees in Lakhs

Particulars	As at March 31, 2006	As at March 31, 2005
Disputed income tax demand pending in appeal	-	342.29
Other claims against the Company not acknowledged as debts	21.15	10.41
Guarantees given by banks	33.75	989.88
Outstanding letter of credit	2,997.70	3,843.56
Bills discounted with banks	7,348.03	5,812.65
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	972.29	292.55

2. During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Company has export obligations of Rs. 4,155.53 lakhs (previous year 731.21 lakhs) to be fulfilled on or before January 18, 2014.
3. Goodwill added during the year includes Rs.314.79,lakhs (Previous Year : Nil) on account of subsidiary.
4. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

5. Segment information

- a. Primary business segment

The Company's activities of manufacture and sale of garments constitutes its single business segment.

- b. Secondary business segment (by geographical area based on location of customers)

Amount in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	28,860.30 (18,366.10)	2,294.97 (1,369.91)	- (-)
USA, Canada and North America	55,340.34 (50,013.57)	3,718.47 (3,857.76)	- (-)
India	1,957.15 (1,571.12)	69,727.06 (36,533.38)	9,852.72 (8,832.53)
Others	876.32 (1,398.68)	529.62 (274.66)	- (-)
Total	87,034.11 (71,349.48)	76,270.12 (42,035.71)	9,852.72 (8,832.53)

6. Related party disclosure

- a. The following are the names of related parties and description of relationship:

Key management personnel

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja
4. Mr. Ashwin R Hinduja
5. Mr. Vivek M Hinduja
6. Mr. Gaurav D Hinduja

Enterprises over which key management personnel and their relatives exercise significant influence

1. Dazzle Trading Private Limited
2. Dice Trading Private Limited

NOTES TO ACCOUNTS

3. Hinduja Trading Company
 4. J.V.N. Exports Private Limited
 5. Maze Trading Private Limited
 6. Parichay Investments Limited
 7. Polyproducts Private Limited
 8. Rapple Trading Private Limited
 9. Vag Exports Private Limited
- b. The following are the details of the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Rupees in Lakhs

Transactions	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	-	-	-
	(-)	(3,899.91)	(3,899.91)
Material purchases	-	-	-
	(-)	(22.63)	(22.63)
Garment purchases	-	-	-
	(-)	(-)	(-)
Rent received	-	-	--
	(1.02)	(3.06)	(4.08)
Rent paid	-	30.12	30.12
	(-)	(5.40)	(5.40)
Hire Charges received	-	-	-
	(-)	(1.90)	(1.90)
Sale of garments	-	-	-
	(-)	(42.36)	(42.36)
Sale of assets	-	-	-
	(-)	(21.17)	(21.17)
Remuneration	144.00	-	144.00
	(144.30)	(-)	(144.30)
Loans taken	-	-	-
	(2,602.42)	(-)	(2,602.42)
Balance outstanding as on March 31			
— Credit balances	6,722.11	210.82	6,932.93
	(6,436.93)	(519.47)	(6,956.39)
— Debit balances	-	-	-
	(-)	(11.78)	(11.78)

Figures in brackets are for the previous year

Disclosures in respect of transactions that exceed 10% of the total value of transactions of the same type with related parties during the year:

Transaction details

Rupees in lakhs

Rent paid

2005-2006

Dazzle Trading Private Limited	7.20
Hinduja Trading Company	5.40
J.V.N. Exports Private Limited	6.00
Polyproducts Private Limited	3.60
Vag Exports Private Limited	7.92

NOTES TO ACCOUNTS

Remuneration to Directors

Rupees in Lakhs

	2005-2006	2004-2005
Madanlal J Hinduja	48.00	48.10
Rajendra J Hinduja	48.00	48.10
Dinesh J Hinduja	48.00	48.10

7. Earnings per share

Rupees in Lakhs

Particulars	2005 - 2006	2004-2005
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	6096.92	3968.98
Weighted average number of equity shares	170.25	136.46
Nominal value per share (Rs.)	10	10
Earnings per share – Basic and diluted (Rs.)	35.81	29.07

8. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Rupees in Lakhs

Particulars	As at March 31, 2006	Current year (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(763.97)	(310.77)	(453.20)
Retirement benefits allowed on payment basis accrued in books	49.58	(58.01)	107.59
Share issue expenses*	188.50	-	-
Total	(525.89)	(368.78)	(345.61)

* Share issue expenses, net of the related tax effect, has been adjusted in the securities premium account against the premium received on such issue.

9. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs.540.04 lakhs (Previous Year : Rs.268.91 lakhs).

10. Remuneration to directors

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
Salaries	144.00	144.30
Total	144.00	144.30

11. Auditors remuneration includes:

Rupees in Lakhs

Particulars	2005 - 2006	2004 - 2005
Audit fees (inclusive of service tax)	20.80	21.16
Taxation matters	1.00	1.00
Total	21.80	22.16

NOTES TO ACCOUNTS

12. The group had 25 forward contracts outstanding as at March 31, 2006 for an aggregate amount of Rs. 11,603.80 lakhs that were obtained to hedge the foreign exchange risk that arises from the group foreign currency receivables. The foreign currency exposure as at the balance sheet date for which the group has no hedge contracts, aggregates Rs. 3,157.55 lakhs.
13. The Ministry of Company Affairs, Government of India vide its order No. 47/283/2005-CL-III dated January 16, 2006 issued pursuant to section 212(8) of the Companies Act, 1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss account of 12 Subsidiary companies under section 212(1) of the Companies Act, 1956. In accordance with the order, key details of each subsidiary companies are attached along with a statement under section 212 of the Companies Act, 1956. However the Financial Statements of M/S. Robot Systems Private Limited, which became a subsidiary company during the year, have been annexed.
14. The previous year figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

M. Venkata Subbaiah

Company Secretary

Bangalore: May 25, 2006

CONSOLIDATED CASH FLOW STATEMENT

Rupees in Lakhs

PARTICULARS	31.03.2006	31.03.2005
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6,895.84	4,391.70
Adjusted for:		
Depreciation	2,103.11	1,294.72
Interest expense	1,444.83	1,189.57
Interest Income	(44.31)	(38.86)
(Profit)/Loss on sale of assets (net)	(5.35)	6.59
(Profit)/loss on sale of investments	(118.24)	(0.12)
Divident on investments	(170.40)	-
(Profit)/Loss on forward contracts	(97.00)	78.30
Goodwill written off	-	4.09
Pre-operative expenses	0.06	2.00
Preliminary expenses amortised	0.75	0.66
Operating Profit/(Loss) before Working Capital Changes	10,009.29	6,928.65
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(1,656.29)	3,789.63
(Increase)/Decrease in Inventories	(8,874.95)	(4,181.11)
(Decrease)/Increase in Trade Payables and Other Liabilities	934.68	(6,526.03)
Cash Generated from Operations	412.73	11.14
Direct Tax paid (net)	(89.89)	(284.55)
Net Cash Flow from Operating Activities	322.84	(273.41)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received	44.31	14.75
Proceeds on sale of assets	-	74.92
Proceeds from sale of investments	21,565.31	1.20
Dividends received	170.40	-
Purchase of Fixed Assets	(10,141.29)	(3,992.63)
Purchase of Investments	(27,340.75)	(0.19)
Net Adjustment on amalgamation & subsidiarisation	-	(3,086.55)
Net Cash Flow from Investing Activities	(15,702.02)	(6,988.50)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital (Including Share Prem)	12,772.15	1,076.03
Proceeds from Term Loans	800.00	433.84
Repayment of Term Loans	(158.00)	(158.00)
Proceeds from Short Term Borrowings secured (net)	2,217.39	3,770.14
Proceeds from Unsecured Loans (net)	353.49	2,426.22
Profit/(Loss) on forward contracts	97.00	(78.30)
Dividends paid (including dividend Tax)	(391.70)	-
Preliminary Expenses	-	(2.00)
Interest Paid	(1,444.82)	(1,189.58)
Net Cash Flow from Financing Activities	14,245.49	6,278.35

CASH FLOW STATEMENT CONTD.

Rupees in Lakhs

PARTICULARS	31.03.2006	31.03.2005
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,133.68)	(983.56)
Opening Balance of Cash and Cash Equivalents	2,247.62	3,231.17
Closing Balance of Cash and Cash Equivalents	1,113.93	2,247.62

Significant accounting policies and notes to accounts refer schedule XVII

Schedules referred to above form an integral part of the accounts

As per our report of even date attached to the Balance Sheet.

As per our report of even date

For RSM & Co
Chartered Accountants

VIJAY N BHATT
Partner
Membership No. F-36647

Place : Mumbai
Dated : May 25, 2006

For GIRISH MURTHY AND KUMAR
Chartered Accountants

A.V.SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : May 25, 2006

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director

Rajendra J Hinduja
Executive Director - Fin. & Admn.

M. Venkata Subbaiah
Company Secretary

Place : Bangalore
Dated : May 25, 2006

NOTES

Handwriting practice lines consisting of solid top and bottom lines with a dashed midline. The page contains 20 sets of these three-line guides.



DYNAMIC AGGRESSIVE INNOVATIVE

For us, progress is forever in vogue.

Gokaldas Exports – a remarkable group of talented professionals, managers, designers, craftsmen and operations people creating a worldwide community of satisfied customers and fashion houses. An ISO 9001 : 2000 certified company, our 40 state-of-the-art factories spread across the country are equipped with well-trained supervisors and hi-tech machines. Conforming to strict international quality standards and churning out a wide range of garments for all ages. Our 36 years of dynamic, aggressive, innovative and reliable approach has made us the sole manufacturers of both the outerwear and active wear garments. Moreover, the recent relaxation of non-quota sales promises immense growth potential and has opened the doors of infinite possibilities for investors. Buyers can therefore look forward to further benefiting in every possible way.



gokaldas exports ltd





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