



Garware

Polyester Limited

Annual Report 2005-2006



BOARD OF DIRECTORS	: S. B. GARWARE	<i>Chairman & Managing Director</i>
	: S. S. GARWARE (Mrs.)	
	: N. P. CHAPALGAONKAR	
	: DR. A.M. NAIK	
	: GAUTAM DOSHI	
	: S. N. BAHETI	<i>Nominee of IDBI</i>
	: M. GARWARE MODI (Mrs.)	<i>Vice Chairperson & Jt. Managing Director</i>
	: SARITA GARWARE (Ms.)	<i>Jt. Managing Director</i>
	: B. MORADIAN	
	: A. B. BHALERAO	<i>Director - Technical</i>

**COMPANY SECRETARY &
GENERAL MANAGER (LEGAL)**

: S. Chakraborty

BANKERS: Indian Overseas Bank
Dena Bank
The Federal Bank Limited
State Bank of Mysore
Bank of India
Punjab National Bank**AUDITORS**: Shah & Co.
Chartered Accountants**SOLICITORS & ADVOCATES**

: Crawford Bayley & Co.

REGISTERED OFFICE: Naigaon, Post Waluj,
Aurangabad - 431 133.**CORPORATE OFFICE**: Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai 400 057.**WORKS**: L-5 & L-6, Chikalthana Industrial Area,
Dr. Abasaheb Garware Marg,
Aurangabad 431 210.
Naigaon, Post Waluj, Aurangabad 431 133.
A-1 & A-2, MIDC, Ambad, Nasik 422 010.
50-A, Swami Nityanand Marg, Vile Parle (East),
Mumbai 400 057.
Plot No. 449/2, Masat, Silvassa 396 230.**OFFICES**: 403, Madam Bhikaji Cama Bhawan,
11, Bhikaji Cama Place, New Delhi 110 066.
37/1B, Hazra Road, Kolkata 700 029.
Old No. 40, New No. 91, Shiyali Mudali Street,
Pudupet, Chennai 600 002.**REGISTRARS & TRANSFER AGENTS**

: Intime Spectrum Registry Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Friday, the 29th September, 2006 at 11.30 a.m. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. S. S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Ms. Sarita Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. A. B. Bhalerao, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business :

6. To appoint a Director in place of Dr. A. M. Naik, who was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 30th January, 2006, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a Director and, to consider and if thought fit, to pass with or without modification as an Ordinary Resolution, the following :-

"RESOLVED THAT Dr. A. M. Naik, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Registered Office :

Naigaon, Post Waluj,
Aurangabad 431 133

ANNUAL REPORT 2005-2006**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to item no.6 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, September 22nd, 2006 to Friday, September 29, 2006 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all dividends remaining unpaid / unclaimed upto the financial year ended 31st March, 1994 have been transferred to the General Reserve Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial years ended 31st March, 1995, 31st December, 1995 and 31st December, 1996 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection Fund (IEPF) set up by the Central Government. It may be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

8. Members holding shares in physical form are requested to forward all applications for transfer and all other shares related correspondence, including intimation for change of address, if any, to the Registrar and Share Transfer Agents of the Company at the following address :

INTIME SPECTRUM REGISTRY LIMITED

(Unit : Garware Polyester Limited)
C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai – 400 078.
Tel No. 2596 3838
Fax : 2596 2691

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item Nos. 6

Dr. A.M. Naik was appointed as Additional Director on the Board of the Company with effect from 30th January, 2006 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Dr. A.M. Naik holds office as an Additional Director upto the date of the ensuing Annual General Meeting of the Company. Notices in writing have been received from some of the members of the Company under Section 257 of the Companies Act, 1956 signifying their intention to propose Dr. A.M. Naik as the candidate to the office of the Director of the Company.

Dr. A. M. Naik has to his credit PG Diploma in Management from IIM Kolkata and Ph.D. from University of Mumbai (Doctoral Thesis on Turnaround Strategies). Currently he is a Management Consultant and is on the Board of various companies.

It would be in the interest of the Company to avail of the valuable experience and guidance of Dr. A.M. Naik. The Board recommends the appointment of Dr. A.M. Naik as Director of the Company.

Dr. A.M. Naik is concerned or interested in the Resolution under Item 6 of the Notice. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Registered Office :
Naigaon, Post Waluj,
Aurangabad 431 133

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Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting

Name of the Directors	Mrs. S.S. Garware	Ms. Sarita Garware	Mr. A. B. Bhalerao
Date of Birth & Age	09.12.1935 (70 years)	25.10.1967 (38 years)	15.05.1949 (57 years)
Appointed on	04.04.1996	24.12.1993	30.09.1996
Qualifications	B.A. (Hons.) B.Ed.	M.B.A. from European University in Switzerland	B.E. (Mech.), F.I.E.
Expertise in specific functional areas	<ul style="list-style-type: none"> ● Marketing and Exports ● Associated with Charitable and Welfare Organisations 	<ul style="list-style-type: none"> ● Specialisation in Marketing (Total Managerial experience 13 years) 	<ul style="list-style-type: none"> ● Production of Polyester film and allied products identification of new product lines, product developments. R & D etc. ● Chairman / Trustee of various Social, Educational Charitable Institutions and organisations. (Total Managerial experience 33 years.)
Directorship held in other Companies	Garware Industries Limited	Garware Industries Limited	Garware Chemicals Ltd. Garware Industries Ltd.
Chairmanships / Memberships of Committees across public companies	Nil	Garware Polyester Limited – Member, Share & Debenture Transaction cum Investor Grievances Committee.	Garware Chemicals Ltd. – Member, Remuneration Committee


DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006
TO THE MEMBERS,

Your Directors present the Forty-Ninth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

Financial Results

		(Rs. in Crores)
	<u>2005-06</u>	<u>2004-05</u>
Operating Profit before Interest & Depreciation	86.16	111.01
<i>Less</i> : Interest & Financial Charges	44.96	44.36
Depreciation	30.38	75.41
Profit for the year before Tax	10.82	35.60
<i>Less</i> : Income Tax	5.54	15.03
Wealth Tax	0.04	15.06
Profit after Tax	5.24	20.54
<i>Add</i> : Income Tax Refund of prior years	0.41	0.00
Net Profit	5.65	20.54
<i>Add</i> : Balance brought forward from previous year	50.68	33.19
Balance available for Appropriation	56.33	53.73
Appropriations :		
Proposed Dividend	0.00	2.18
Tax on Dividend	0.00	0.31
Education cess on Dividend Tax of previous year	0.00	0.01
Transferred to General Reserve	0.00	0.55
Balance carried to Balance Sheet	56.33	50.68
	56.33	53.73

Your Directors have not recommended any dividend for the year under review with a view to conserve resources to meet the Company's commitment to lenders in accordance with Restructuring package sanctioned by them.

Operations

Gross sales declined by 5.37% from Rs. 894 crores to Rs. 846 crores. Exports rose marginally from Rs. 237 crores to Rs. 246 crores an increase of 3.80%. Export sales growth was driven by an increase in volume of Sun Control film as well as improved realizations. In local market, however, there was pressure on prices and margins due to excess supply situation. The stiff rise of oil prices continued to put pressure on margins. Your Company has consciously focussed on exports and on a diversified portfolio of value added products, viz. Sun Control films, Speciality thick films, etc. to insulate the company from competitive pressures in the commodity segments of the business. This strategy has helped your company to partially overcome the

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cost pressure and post net profit. However, the pressure on margins is likely to continue for some more time until prices of oil and major raw materials stabilize at reasonable levels.

The current year's working is in line with expectations.

Future outlook

Growth of Polyester film in international market continues at an estimated rate of 8 to 10% p.a. In local market too, growth is continuing at an estimated rate of 12 to 15% p.a. The adverse demand/supply equation which prevailed during major part of last financial year and first quarter of this financial year is showing a positive trend and the prices seem to be firming up. Such an opportunity augurs well with the Company's plans for the future particularly due to its initiatives in research and new product development.

Company is strengthening its presence in lucrative markets like China, Brazil, Japan and Australia in addition to its existing strong market position in the developed markets like USA. Response to Company's new products is highly encouraging and its policy of focusing on niche products in remunerative markets will boost gross margins in future.

Research & Development

Company's R & D Centre is accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, and is engaged in research on new applications as well as development of new products, improvement of manufacturing processes and debottlenecking activities. Your Company's thrust on R & D activities has paid rich dividends.

Subsidiaries

Pursuant to Section 212 of the Companies Act, 1956 the accounts of Garware Polyester International Limited and Global Pet Films Inc., subsidiaries of the Company, are annexed.

Safety, Health & Environmental Protection

Your Company has initiated various measures on safety awareness including safety audits, providing health care to its employees, maintaining ecological balance in and around the units and undertaking periodical environmental audits.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of your Company confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

Directors

Mrs. S. S. Garware, Ms Sarita Garware and Mr. A. B. Bhalerao retire by rotation and being eligible, offer themselves for re-appointment.

Mr. R. P. Chhabra resigned from the Board of the Company with effect from 20th February, 2006. The Board places on record its appreciation of the valuable advice given by him during his tenure as Director of your

Company. The Board appointed Dr. A. M. Naik as additional director, whose term would expire on the conclusion of next AGM. The Company received notices in writing from some members proposing his candidature as director of the Company.

Audit Committee

The Audit Committee comprises of three independent Directors viz., Mr. B. Moradian Mr. S.N. Baheti and Dr. A.M. Naik.

Remuneration Committee

The Remuneration Committee comprises of three independent Directors, viz., Mr. B. Moradian, Mr. S.N. Baheti & Dr. A.M. Naik.

Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Reports on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of conditions of Corporate Governance, form part of this Report.

Auditors

The retiring Auditors, Messers Shah & Co., are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to appoint Auditors and fix their remuneration.

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

Other Statutory Information

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary at the Corporate Office of the Company.

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report is annexed.

Industrial Relations

The relations between the Employees and the Management remained cordial during the year under review. Your Directors wish to place on record their appreciation of the contribution made by the Employees at all levels.

Acknowledgements

Your Directors wish to place on record their appreciation of the whole-hearted co-operation received by the Company from the various departments of the Central & State Governments, Company's Bankers and Financial & Investment Institutions during the year under review.

For and on behalf of the Board of Directors

Mumbai, August 17, 2006

S. B. GARWARE
Chairman & Managing Director

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ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY

Your Company is focused on energy conservation, as key component of its overall strategy for remaining globally competitive. Regular studies are conducted to analyse quantitative energy consumption pattern, and variances are rigorously scrutinised and accordingly continuous efforts were made towards further improving efficiency. Following major successful energy conservation efforts were made during the year.

1. At Waluj Complex, Conversion of HP Steam Ejector to LP Ejectors of Polyester Chips Plant.
2. Use of flash steam for heating Acid Alkali Bath in filter room thereby avoiding of electrical heating.
3. Chips conveying system – vacuum conveying replaced by LPC system thereby reduction in electrical power consumption.
4. Reduction in Chiller compressor rpm from 700 to 510 thereby saving in electrical power.

(B) TECHNOLOGY ABSORPTION**I. Research and Development (R & D) – IPD****1. Specific areas in which R & D carried out by the Company**

- a. Coated film for UV ink printing.
- b. Antifogging film.
- c. Speciality polymer for new European FDA norms.
- d. New Certification (UL Approval) for various films.

Research and Development (R & D) – CPD

- a. Developed Dual Reflective films using nano technology.
- b. Patented Special metallic Edge mounting profile for safety film laminated to window glasses.

2. Benefit derived as a result of the above R & D

These products give increased contribution.

3. Expenditure on R & D /Product Development

	(Rs. in Lakhs)
a. Capital (Excl. CWIP)	12.26
b. Recurring	429.80
Total	442.06
Total R & D expenditure as a Percentage to total turnover	0.90%

II. Technology absorption, adaptation and innovation
1. Efforts made towards technology absorption, adaptation and innovation :

Line No. 1 – Upgradation of Film Cooler and high capacity drive in MDO.

Line No. 5 – TDO width widening, Atlas Slitter upgradation and Winder Cross Cutter modification.

2. Benefits derived as a result of above efforts :-

Above efforts have resulted in improvement of product output, quality and reduction in wastage.

3. Technology imported during the last five years :-

a. SRC (hard-coat) formulations

(C) FOREIGN EXCHANGE EARNING AND OUTGO
I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.

1. The export market activities are being consolidated to maintain the share of exports in the total production. Newer markets are being explored.
2. Constant endeavour is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. The Company has established warehousing and marketing outfits in USA and UK.

II. Total Foreign Exchange used and earned (Rs. in Crores)

Used	:	38.20
Earned (FOB)	:	246.26

For and on behalf of the Board of Directors

Mumbai, August 17, 2006

S. B. GARWARE
 Chairman & Managing Director

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CORPORATE GOVERNANCE REPORT

The Code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) has already been implemented by your Company in terms of the listing agreement with Stock Exchange, Mumbai. The Board of Directors supports the broad principles of Corporate Governance and accordingly implemented the same from financial year 2001-2002.

Company's philosophy on Code of Governance

The philosophy of the Company is to enhance the long term economic value of the Company, its shareholders at large by adopting better corporate practices in fair and transparent manner. Given below is the report on corporate governance:

The Report on Corporate Governance is divided into six parts :-

- (1) Board of Directors – Composition
- (2) Committees of the Board
- (3) Remuneration of Directors
- (4) Disclosures
- (5) Means of Communication
- (6) Shareholder information

1. COMPOSITION OF THE BOARD OF DIRECTORS (as on 31st March, 2006)

Name of Director	Executive/ Non Executive/ Independent	No. of other Directorships in Public Ltd. Companies	Membership of Board Committees
Shri S. B. Garware	Executive – Chairman & Managing Director	3	—
Mrs. S. S. Garware	Non-Executive	2	—
Mrs. M. Garware Modi	Executive-Vice Chairperson & Joint Managing Director	4	—
Ms. Sarita Garware	Executive-Joint Managing Director	1	1
Mr. S. N. Baheti +	Non-Executive, Independent	1	1
Mr. A. B. Bhalerao	Executive, Director-Technical	2	1
Dr. A. M. Naik ***	Non-Executive, Independent	3	3 *
Mr. B. Moradian	Non-Executive, Independent	1	3 **
Mr. N. P. Chapalgaonkar	Non-Executive, Independent	—	—
Mr. Gautam Doshi	Non-Executive, Independent	8	9

+ Nominee, IDBI

* Chairman of Audit Committee

** Chairman of Share & Debenture Transactions cum Investors' Grievances Committee

*** Dr. A.M. Naik joined on the Board w.e.f 30th January, 2006.

BOARD MEETINGS

The Company places before the Board all the relevant and necessary data / information at its meetings such as production, sales, exports, review of business, any legal proceedings by / against the Company, share transfers, quarterly financial results, minutes of : (a) previous Board Meetings, (b) Audit Committee Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meeting and such other relevant information.

During the year under review, five Board Meetings were held on 28th April, 2005; 28th July, 2005; 17th August, 2005; 31st October, 2005 and 30th January, 2006.

The last Annual General Meeting (AGM) was held on 29th September, 2005.

The attendance of Directors at the Board Meetings, and at the aforesaid Annual General Meeting was as under :

Name of Directors	Number of Board Meetings attended	Whether present at the previous AGM
Shri S. B. Garware	4	No
Mrs. S. S. Garware	0	No
Mrs. M. Garware Modi	2	No
Ms. Sarita Garware	3	No
Mr. S. N. Baheti	3	No
Mr. A.B. Bhalerao	5	Yes
Mr. R. P. Chhabra*	5	Yes
Mr. B. Moradian	5	Yes
Mr. N. P. Chapalgaonkar	3	No
Mr. Gautam Doshi	2	No
Dr. A. M. Naik**	0	No

* Mr. R. P. Chhabra resigned from the Board w.e.f 20th February, 2006.

** Dr. A. M. Naik joined on the Board w.e.f. 30th January, 2006.

2. COMMITTEE OF THE BOARD

The Board has constituted Committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the various Committees of the Board:

(a) Audit Committee

The Board of the Company has constituted an Audit Committee comprising of the following Independent Directors:

Mr. R. P. Chhabra*	– Chairman (upto 20/02/06)
Mr. B. Moradian	– Member
Mr. S. N. Baheti	– Member
Dr. A. M. Naik**	– Chairman

* Mr. R. P. Chhabra resigned from the Audit Committee w.e.f 20th February, 2006.

** Dr. A. M. Naik joined on the Audit Committee w.e.f. 30th January, 2006.

The Company Secretary, Mr. S. Chakraborty acts as the Secretary to the Committee.

Brief description of terms of reference are:

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.
- Reviewing the adequacy of the Audit and Compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.

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- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter which may be referred to it by the Board.

The Minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

Meetings and attendance during the year:

During the year under review, five Audit Committee meetings were held – on 28th April, 2005; 28th July, 2005; 17th August, 2005, 31st October, 2005 and 30th January, 2006.

Name of Members	Audit Committee Meetings Attended
Mr. R. P. Chhabra	5
Mr. B. Moradian	5
Mr. S. N. Baheti	3
Dr. A. M. Naik	0

(b) Share & Debenture Transactions cum Investors' Grievances Committee

The Board of the Company has constituted a Share & Debenture Transactions cum Investors' Grievances Committee comprising of the following Directors:

Mr. B. Moradian	-	Chairman
Ms. Sarita Garware	-	Member
Mr. R. P. Chhabra*	-	Member (upto 20/02/06)
Dr. A. M. Naik**	-	Member

* Mr. R. P. Chhabra resigned from the Share & Debenture Transactions cum Investors' Grievances Committee w.e.f 20th February, 2006.

** Dr. A. M. Naik joined on the Share & Debenture Transactions cum Investors' Grievances Committee w.e.f. 30th January, 2006.

The Company Secretary, Mr. S. Chakraborty, acts as the Compliance Officer.

The terms of reference of the above Committee are as follows :

- To consider and approve transfer of shares and debentures, issuance of duplicate share / debenture certificates etc.
- Redressal of shareholders' / investors' complaints relating to transfer of shares / debentures, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, interest on debentures, etc.

Details of complaints received and redressed during the year from 1st April, 2005 to 31st March, 2006.

As per information received from Registrar, M/s. Intime Spectrum Registry Limited, during the year, the Company received 265 complaints from shareholders, which were resolved.

Share Transfer Details :

During the year, the Committee met 24 times. As on 31st March, 2006, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Directors at the aforesaid Committee Meeting was as under :

Name of Members	Meetings Attended
Mr. B. Moradian	23
Ms. Sarita Garware	24
Mr. R. P. Chhabra	22
Dr. A. M. Naik	1

Investors' Grievances :

The Registrars and Transfer Agents, viz. Intime Spectrum Registry Limited under supervision of the Secretarial Department of the Company redresses the Investors' Grievances.

(c) Remuneration Committee

The Board of the Company has constituted a Remuneration Committee comprising of the following Directors :-

Mr. R. P. Chhabra	–	Chairman - resigned w.e.f. 20.02.2006
Mr. B. Moradian	–	Member
Mr. S. N. Baheti	–	Member
Dr. A. M. Naik	–	Chairman – appointed w.e.f. 30.01.2006

Due to absence of any agenda, the Remuneration Committee did not meet during the year.

3. REMUNERATION TO DIRECTORS :

The Managing Director, Joint Managing Directors and Director-Technical are paid remuneration as per the Agreements entered into / to be entered into between them and the Company, subject to necessary approvals. Non-Executive Directors are paid sitting fees of Rs. 5,000/- for every Board Meeting with effect from January, 2005 and Rs. 1000/- for every Committee Meeting attended by them. The details of remuneration paid to the Directors of the Company for the year ended 31st March, 2006, are given below :-

	Rs. in Lakhs
(a) Salary and Perquisites	219.86
(b) Sitting Fees to Non-Executive Directors	1.48
Total	221.34

Service contract in respect of Managing Director, Joint Managing Directors and Director-Technical is for five years.

Performance-linked Bonus	:	Nil
Stock option details, if any	:	Nil

4. DISCLOSURES :

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the Company at large are separately disclosed in this Report.

No penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years.

5. MEANS OF COMMUNICATION :

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange, and announces the said financial results to the Stock Exchange, Mumbai where the shares of the Company are listed. Further, the quarterly / half yearly results in the prescribed proforma are published in the leading newspapers.

The Company's website is : www.garwarepoly.com

Report on Management Discussion and Analysis forms part of this Annual Report.

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6. GENERAL SHAREHOLDER INFORMATION :**(a) Registered Office**

Naigaon, Post Waluj,
Aurangabad – 431 133.

(b) Registrars and Share Transfer Agents

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai – 400 078.
Tel. No.: 2596 3838
Fax No.: 2596 2691
e-mail : isrl@vsnl.com
Contact Person: Mr. Mahadevan /
Mr. Mangesh Gomane

(c) Address for Correspondence

Garware Polyester Limited,
Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai-400 057.
Tel No: 6698 8000 – 15
Fax No: 2824 8155 / 66
e-mail: schakraborty@garwarepoly.com

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai – 400 078.
Tel. No. : 2596 3838
Fax No. : 2596 2691
e-mail : isrl@vsnl.com

(d) PLANTS LOCATIONS : Waluj, Chikalthana,
Nasik, Mumbai and Silvassa.**(e) LISTING ON STOCK EXCHANGE**

Shares of the Company are listed on the Stock Exchange, Mumbai, under Stock Code No.500655, ISIN No. for dematerialised shares is INE 291A01017.

The Company has paid Annual Listing Fees for the year 2005-06 to the above Stock Exchange. The Company has also paid custodial charges to National Securities Depository Limited and Central Depository Securities Limited for 2005-2006.

(f) Share price Data on The Stock Exchange, Mumbai

Month	Share Price Data		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
Apr – 2005	49.45	47.00	6649.42	6118.42
May – 2005	61.05	46.50	6772.74	6140.97
Jun – 2005	63.75	55.05	7228.21	6647.36
Jul – 2005	59.40	53.35	7708.59	7123.11
Aug – 2005	76.10	53.85	7921.39	7537.50
Sep – 2005	73.10	57.35	8722.17	7818.90
Oct – 2005	62.20	46.85	8821.84	7656.15
Nov – 2005	52.10	47.50	9033.99	7891.23
Dec – 2005	50.85	46.80	9442.98	8769.56
Jan – 2006	54.45	47.05	9945.19	9158.44
Feb – 2006	48.70	42.40	10422.65	9713.51
Mar – 2006	47.25	41.10	11356.95	10344.26

(g) Share Transfer System

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents if the same are clear in all respects and thereafter the same are duly approved by Share & Debenture Transactions cum Investors' Grievances Committee. Since the Company's shares are compulsorily traded in demat segment on the Stock Exchange, Mumbai, bulk of the transfers takes place in electronic form.

(h) Dematerialisation of Shares and Liquidity

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), for which purpose the Company has entered into Agreements with the respective Institutions.

The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchanges by all investors. Nearly 86% of the equity shares of the Company have been dematerialised by investors and bulk of transfers take place in the demat form.

(i) Distribution of Shareholdings as on 31st March, 2006

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	35,979	96.22	32,81,778	15.02
501 to 1000	789	2.11	6,30,640	2.89
1001 to 2000	304	0.81	4,68,803	2.15
2001 to 3000	102	0.27	2,59,304	1.19
3001 to 4000	47	0.13	1,71,976	0.79
4001 to 5000	29	0.08	1,39,957	0.64
5001 to 10000	59	0.16	4,38,197	2.00
10001 and above	82	0.22	1,64,50,709	75.32
Total	37,391	100.00	2,18,41,364	100.00

(j) Categories of shareholding as on 31st March, 2006.

Sr. No.	Category	No. of Shares held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	1,00,34,916	45.94
2.	Other Garware family Members and their Associates	3,37,149	1.54
3.	Mutual Funds and UTI	27,626	0.12
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-Govt. Institutions)	8,57,621	3.93
5.	Private Corporate Bodies	36,65,765	16.79
6.	Foreign Institutional Investors	2,372	0.01
7.	NRIs	8,24,797	3.78
8.	Indian Public	60,91,118	27.89
	Grand Total	2,18,41,364	100.00

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- (j) **Outstanding GDRs/ADRs/ Warrants or any convertible instruments and conversion date and likely impact on equity** : Not Applicable

(k) **Information on General Body Meetings**

Details of the last 3 Annual General Meetings (AGM) held by the Company are as under:

	Date	Venue	Time
46th AGM	29th Sep., 2003	Registered Office : Naigaon, Post Waluj, Aurangabad – 431 133.	11.30 a.m.
47th AGM	28th Sep., 2004	As above	11.30 a.m.
48th AGM	29th Sep., 2005	As above	11.30 a.m.

None of the Special Resolutions passed during the last three AGMs were required to be passed through postal ballot.

No special resolution for this year is required to be passed through postal ballot.

(l) **Financial Calender**

Financial Year 1st April, 2005 to 31st March, 2006.	
Board Meeting for approval of Audited Accounts for the year ended 31st March, 2006.	17th August, 2006.
Posting of Annual Reports	On or before 4th September, 2006.
Book Closure Dates	22nd September, 2006 to 29th September, 2006. (both days, inclusive)
Last date for receipt of Proxy Forms	27th September, 2006.
49th Annual General Meeting	Date : 29th September, 2006. Time : 11.30 a.m. Venu : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

THE MEMBERS, GARWARE POLYESTER LIMITED

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

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 statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, 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 are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, August 17, 2006

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging, etc. The worldwide capacity for the product has substantially gone up in the recent past and currently stands at 2.42 million MT. The consumption of the film is approximately 1.73 million MT. The domestic manufacturing capacity has also seen installation and commissioning of new plants adding up almost 30,000 MT as additional capacity by the end of 2005-06. Total global capacity addition is of the order of 120,000 MT including Indian manufacturers who have set up capacities in Turkey and Dubai. The demand for polyester films is expected to grow at the rate of 8 to 10% per annum in international market and 12 to 15% per annum in the domestic market. Robust demand in domestic market could make India the second largest market for polyester film by 2007 next only to USA.

The restrictive trade practices, as reported in the last Annual Report, continues to plague the exports of Indian product to EU & USA. EU has withdrawn the MIP undertaking and has levied 21.7% anti-dumping/anti-subsidy duties on imports from India thereby further supporting their domestic manufacturers who are now clearly in link with far east countries like Japan, Taiwan, etc.

2. Opportunities and threats

The dramatic uptrend in crude oil prices has pushed up the input cost significantly. On the other hand, substantial additions to polyester film capacity has resulted in excess supply in the domestic market. Both factors put together have built tremendous pressure on the margins. The Company is constantly endeavouring to explore newer opportunities by introducing value added products. Some of the value added products, recently developed, have found good acceptability both in the domestic and export markets. With increased focus on R & D, the Company hopes to maintain its growth.

3. Outlook

Exports :

Plain Film :

In view of the restrictive trade practices followed by USA and EU, the volume of exports of plain film to these countries has been adversely affected. Withdrawal of MIP mechanism has further affected the performance. The Company has already worked out its alternative marketing strategy in European market with a view to restore its position in these markets. The Company's trump card is to increase volumes in speciality segments of value added products and it has already seen some encouraging results with certain products.

The Company's wholly owned subsidiary in UK, viz., Garware Polyester International Limited (GPIL) which is handling European markets and Global Pet Films (GPF), a wholly owned subsidiary of GPIL, which is handling American markets, are expected to grow their business, given the response to the Company's popular brands, such as 'Garfilm', and 'Global Window Film'.

Sun Control Film :

Export of Sun Control Films has been steadily growing, thereby contributing to the Company's profitability substantially. The Company has been able to successfully make its presence felt by penetrating into newer markets such as Indonesia, China, etc. More than 80% of production of Sun Control films is exported.

Local :

The Indian flexible packaging film industry is highly competitive. With the anticipated growth in packaging film segment, the prices in local markets are expected to firm up. Sun control films in domestic market will continue to be sold in different price ranges. The Company has set its focus on remunerative segments of car kits and have made significant inroads in OEM segments. The Company's safety films which are widely used in banks, Embassy offices, Consular offices, etc., being basically value-added products, will continue to contribute increasingly to the Company's operations.

4. Review of Operations

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the applicable accounting standards.

The abridged Profit & Loss statement for the financial year ended 31st March, 2006 is as follows :

	(Rs. in lakhs)		
	2005-06	2004-05	% change
Net Sales	49101.70	51389.94	(4.45)
Other Income	436.66	369.41	18.20
Profit before Interest, Depreciation & Tax	8615.56	11101.20	(22.39)
Interest & Financial Charges	4496.36	4436.03	1.36
Depreciation	3037.41	3104.90	(2.17)
Profit before Tax	1081.79	3560.27	(69.61)
Provision for Tax	557.92	1505.94	(62.95)
Profit after Tax	523.87	2054.33	(74.50)
Income Tax Refund after prior years	41.71	0.00	100.00
Net Profit	565.58	2054.33	(72.47)
Earnings per share (Rs.)	2.59	9.41	(72.48)
Market Capitalization	9648.44	10440.17	(7.58)

5. Risks and concerns

Due to steep increase in crude oil prices, the raw material prices during the year under review had been exhibiting an increasing trend. Though the Company has been in a position to pass on the increases, there has always been a time lag for export markets. In view of excess supplies it has sometimes not been possible to fully pass on the same to the consumers. There will therefore be pressures on the profitability.

The Company will continue to focus on cost control and cost effective measures and give dedicated and specified thrust to exports.

Some of the Company's products are commodity grade and are to a large extent fungible with competitors' products. Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand.

Taxes and other levies imposed by the Central or State governments in India that affect the industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect the Company's competitive position and profitability.

The Company is a large exporter of films to many countries, and for the year ended March 31, 2006, nearly 88 % of revenue from exports were denominated in U.S. Dollars and 12% were denominated in Euros. Though the foreign exchange earned from export sales offsets to some extent the debt repayment risk resulting from any potential depreciation of the Rupee against the U.S. Dollar and the Euro, there can be no assurance that the foreign exchange earned from export sales will be sufficient to pay all the Company's obligations under U.S. Dollar denominated borrowings. In addition, any changes in exchange rates may adversely affect the profitability of its export sales.

The Company is subject to risks arising from interest rate fluctuations, which could adversely affect its business, financial condition and results of operations.

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The Company is exposed to interest rate risk on the floating rate debt and additional debt financing that may be periodically needed for the capital expenditures associated with future expansion plans. Upward fluctuations in interest rates increase the cost of both existing and new debt. The interest rate that will be able to secure in a future debt financing will depend on market conditions at the time, and may differ from the rates on the existing debt. This may adversely impact performance planned capital expenditures and cash flows. The Company has endeavoured to mitigate these through foreign exchange related operations.

6. Internal control systems and efficiency

The Company has put in place a system of internal controls and checks which are supplemented by a regular internal audit procedure commensurate with the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary.

7. Management Developments in HR

Your Company has a well qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing Units of the Company continued to remain cordial throughout the year 2005-06. There was no industrial unrest during the year.

8. Cautionary statement

The statements in report of the Board of Directors and the Management Discussion & Analysis Report describing the Company's outlook, estimates or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company takes no responsibility for keeping the members updated on changes in these factors except as may be statutorily required from time to time.

AUDITORS' REPORT**TO THE MEMBERS OF GARWARE POLYESTER LIMITED**

We have audited the attached Balance Sheet of GARWARE POLYESTER LIMITED as at 31st March, 2006, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in Paragraph (3) above, we state that :

- (a) 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.
- (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, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on the said date.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes in Schedule 12 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 31st March, 2006.
 - (ii) In the case of the Profit and Loss Account, of the "**PROFIT**" of the Company for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, 17th August, 2006

ANNUAL REPORT 2005-2006**ANNEXURE TO THE AUDITORS' REPORT**

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
- (c) The company has not disposed off substantial part of fixed assets during the year. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
- (ii) (a) The Inventories have been physically verified during the year by the Management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of Clause 4(iii)(b), (c) and (d) of the order are not applicable for the year under report.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained Under Section 301 of the Companies Act, 1956. Hence the provisions of clauses 4 (iii) (f) and (g) of the order are not applicable for the year under report.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made 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 lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the Management.
- (vi) According to the information and explanations given to us, the company has not accepted during the year any deposits from the public as per the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in the year under review for any of the products of the company.

- (ix) (a) According to the information and explanation given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As explained to us, no undisputed amounts payable in respect of above were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.
- (b) The following dues have not been deposited on account of dispute :

Nature of dues	Financial Year to Which the Dispute Pertains	Amount (Rs. In Lakhs)	Forum where dispute is pending
Income Tax	2002-03	40.83	Commissioner of Income Tax, Mumbai.
Excise Duty	1994-95	7.21	Customs, Excise and Service Tax Appellate Tribunal, Mumbai.
Sales Tax	1982-83	4.88	Deputy Commissioner, Delhi.
Sales Tax	1984-85 & 1993-94	12.25	Sales Tax Assessing Officer, Delhi.

- (x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders, as these have been requested for deferment.
- (xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As the company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xiv) As the company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the term loans on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been earmarked to be applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, the company has not applied short term borrowings for long term use.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

FOR SHAH & CO.
 Chartered Accountants

INDULAL H. SHAH
 Partner

Mumbai, 17th August, 2006

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BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.93	2,177.90
Reserves & Surplus	2	10,710.26	10,144.68
		12,888.19	12,322.58
LOAN FUNDS			
Secured Loans	3A	52,845.27	47,809.84
Unsecured Loans	3B	1,018.75	811.68
		53,864.02	48,621.52
TOTAL		66,752.21	60,944.10
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	73,042.79	71,717.69
Less: Depreciation		36,006.88	33,014.01
Net Block		37,035.91	38,703.68
Capital Work in Progress		1,616.74	404.39
		38,652.65	39,108.07
INVESTMENTS	5	3,776.02	3,802.57
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	7,996.46	8,762.21
Sundry Debtors		6,629.43	4,918.01
Cash and Bank Balances		455.97	435.31
Other Current Assets		4,486.04	3,473.79
Loans and Advances		7,984.92	3,153.01
		27,552.82	20,742.33
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	2,796.21	2,580.76
Provisions		796.14	858.18
		3,592.35	3,438.94
Net Current Assets		23,960.47	17,303.39
Deferred Tax Assets		363.07	730.07
TOTAL		66,752.21	60,944.10

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006


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

	Schedule	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		52,710.42	55,391.64
Inter-Divisional Transfers (as per contra)		31,864.66	34,033.30
Gross Sales		84,575.08	89,424.94
Less: Excise duty		3,608.72	4,001.70
Net Sales		80,966.36	85,423.24
Other Income	8	436.66	369.41
Increase / (Decrease) in Finished and Semi-finished Goods	9	40.54	1,070.97
		81,443.56	86,863.62
EXPENDITURE :			
Raw Materials consumed	10	24,092.21	25,916.51
Inter-Divisional Transfers (as per contra)		31,864.66	34,033.30
Manufacturing & other expenses	11	16,871.13	15,812.61
Interest & financial charges (Refer Note No.10 in Schedule 12B)		4,496.36	4,436.03
		77,324.36	80,198.45
Profit before Depreciation		4,119.20	6,665.17
Depreciation		3,037.41	3,104.90
Profit for the year before Tax		1,081.79	3,560.27
Less : Provision for Taxation :			
Deferred Tax		367.00	1,224.98
Current Tax		86.00	277.81
Fringe Benefit Tax		101.00	0.00
Wealth Tax		3.92	3.15
Profit after Tax		523.87	2,054.33
Add: Income Tax Refund of prior years		41.71	0.00
Net Profit		565.58	2,054.33
Add: Balance brought forward from previous year		5,067.88	3,318.15
Profit available for appropriation		5,633.46	5,372.48
APPROPRIATIONS :			
Proposed Dividend		0.00	218.41
Tax on Dividend		0.00	30.63
Education cess on Dividend tax of Previous Year		0.00	0.56
Transfer to General Reserve		0.00	55.00
		0.00	304.60
Balance carried to Balance Sheet		5,633.46	5,067.88
Earning per Share (Refer Note No.15 in Schedule 12B) (Rupees)		2.59	9.41

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>	<u>2,500.00</u>
Issued, Subscribed and Paid-up:		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14
Less: Unpaid Allotment Call money (from others)	<u>6.21</u>	<u>6.24</u>
	<u>2,177.93</u>	<u>2,177.90</u>
Out of the above :		
(i) 16,50,600 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves.		
(ii) 6,60,000 Equity Shares of Rs. 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
(iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs.		
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Share Premium :		
Balance as per last Balance Sheet	48.70	48.70
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
General Reserve :		
Balance As per Last Balance Sheet	3,672.05	3,617.05
Transfer from Profit and Loss Account	<u>0.00</u>	<u>55.00</u>
	3,672.05	3,672.05
Profit & Loss Account	<u>5,633.46</u>	<u>5,067.88</u>
TOTAL	<u>10,710.26</u>	<u>10,144.68</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 31.03.2006 (Rs. in Lakhs)		As at 31.03.2005 (Rs. in Lakhs)	
		Notes			
SCHEDULE 3					
A SECURED LOANS					
I.	Debentures / Bonds (Refer Note No.5 and 6 in Schedule 12B)				
(i)	12.5% Non Convertible / Privately Placed Debentures	A TO D	7,970.94	9,413.65	
	Less : Redeemed during the year		1,235.78	1,442.71	
			6,735.16		7,970.94
(ii)	0'Coupon Bonds / Debentures	E	3,928.56	4,967.57	
	Less : Redeemed during the year		266.05	1,039.01	
			3,662.51		3,928.56
(iii)	Interest accrued and due		340.65	544.07	
			10,738.32		12,443.57
II.	From Banks				
	Cash / Packing Credit Accounts	F	5,335.07	4,267.93	
	Working Capital Demand Loan		12,923.25	11,491.67	
	Interest accrued and due		0.00	22.88	
			18,258.32		15,782.48
III.	Term Loans				
(i)	Financial Institutions	G			
a)	Rupee Loan		1,466.75	1,780.49	
b)	Foreign Currency Loan		5,996.34	4,567.26	
			7,463.09		6,347.75
(ii)	Banks	H			
a)	Rupee Loan		4,437.29	1,002.35	
b)	Foreign Currency Loan		3,525.54	3,952.75	
c)	Interest accrued and due		139.03	0.00	
			8,101.86		4,955.10
(iii)	Hire Purchase / Vehicle Finance	I	22.97	20.23	
			15,587.92		11,323.08
IV.	Deferred interest	J	8,260.71		8,260.71
	Total		52,845.27		47,809.84

Notes :

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 589.27 Lakhs (Previous year Rs. 913.82 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 992.25 Lakhs (Previous year Rs. 1,258.40 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 4,893.27 Lakhs (Previous year Rs. 5,468.93 Lakhs) are secured by first charge / mortgage ranking pari-passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Rs. 260.37 Lakhs (Previous year Rs. 329.79 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs. 100/- each aggregate Rs. 3,662.51 Lakhs (Previous year Rs. 3,928.56 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs. 1,967.27 Lakhs (Previous year Rs. 2,073.32 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs. 1,695.25 Lakhs (Previous year Rs. 1,855.24 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 7,463.09 Lakhs (Previous year Rs. 6,347.75 Lakhs) are secured / to be secured as under:

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- 1] An amount of Rs. 2,713.33 Lakhs (Previous year Rs. 2,951.47 Lakhs) is secured by:
- A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
 - Hypothecation charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
 - Specified movables for securing borrowings for the Company's Working Capital Requirements; and
 - Specified assets charged to the Company's bankers as security for Term Loans.
- 2] Advance against export is of Rs. 3,002.26 Lakhs (Previous year Rs. 3,171.28 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- 3] EXIM Bank Working Capital loan of Rs. 1,672.50 Lakhs (Previous year Nil) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 7,962.83 Lakhs (Previous year Rs. 4,955.10 Lakhs) from Banks are secured as under :
- Term Loans of Rs. 853.09 Lakhs (Previous year Rs. 953.45 Lakhs) is secured by :
 - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
 - Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
 - Specified movables for securing borrowings for the Company's Working Capital Requirements; and
 - Specified assets charged to the Company's bankers as security for Term Loans.
 - Term Loans of Rs. 1,886.58 Lakhs out of Rs. 1,925.18 Lakhs (Previous year Rs. 2,344.66 Lakhs out of Rs. 2,393.56 Lakhs) is a Foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
 - Term Loans of Rs. 3,545.60 Lakhs (Previous year Nil), is secured by way of the project assets. The said loan is also secured by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
 - Term Loan of Rs. 1,638.96 Lakhs (Previous year Rs. 1,608.09 Lakhs) is a Foreign currency loan. The same is secured by:
 - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
 - Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on :
 - Specified movables for securing borrowings for the Company's Working Capital Requirements; and
 - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March, 2006 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
B UNSECURED LOANS		
i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	468.75	601.68
ii) Short Term Loan from others	550.00	210.00
TOTAL	1,018.75	811.68

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)
SCHEDULE 4
FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/ Revaluation As at 01.04.2005	Additions during the year	Sales/ Transfer during the year	Cost/ Revaluation As at 31.03.2006	Up to 31.03.2006	As at 31.03.2006	As at 31.03.2005
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	6,992.13	6,992.13
2.	Land (Leasehold)	1,820.94	42.87	0.00	1,863.81	0.00	1,863.81	1,820.94
3.	Buildings	7,570.87	49.92	14.17	7,606.62	3,745.89	3,860.73	4,221.54
4.	Plant & Machinery	48,003.28	962.34	15.52	48,950.10	26,108.77	22,841.33	24,206.50
5.	Electrical Installations	2,825.44	7.67	0.00	2,833.11	2,138.87	694.24	798.06
6.	Moulds	287.54	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	190.74	129.70	0.00	320.44	127.50	192.94	76.83
8.	Furniture & Fixtures	464.78	19.70	0.00	484.48	379.75	104.73	107.10
9.	Office Equipments	427.39	25.99	0.00	453.38	305.65	147.73	144.07
10.	Vehicles	378.73	12.26	36.84	354.15	273.27	80.88	100.69
11.	Capital Expenditure On Research & Development	197.32	12.26	0.00	209.58	191.62	17.96	10.26
12.	Data Processing Equipments	1,022.95	95.02	4.00	1,113.97	915.20	198.77	213.46
13.	Expenditure On Tech. know-how/Product Development	1,378.12	37.90	0.00	1,416.02	1,375.36	40.66	12.10
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	0.00	0.00
	Total	71,717.69	1,395.63	70.53	73,042.79	36,006.88	37,035.91	38,703.68
	Previous Year	70,529.31	1,371.01	182.63	71,717.69	33,014.01	38,703.68	40,483.01
	Capital Work-in-Progress						1,616.74	404.39

NOTES :

- Buildings include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows :
 - on Capital Expenditure on R & D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to Leasehold Land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)		As at 31.03.2005 (Rs. in Lakhs)	
SCHEDULE 5				
INVESTMENTS (AT COST)				
LONG TERM INVESTMENTS				
A. In Government Securities (Unquoted)				
1.	10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	—	—	—
2.	7 years National Savings Certificates of the face value of Rs. 0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)	—	—	—
B. In Shares :				
I. Quoted				
1.	50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01	0.01
2.	Nil (Previous year 1,410) Equity Shares (including 1,255 Bonus Shares) of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up .	0.00	0.04	0.04
3.	2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	—	—	—
4.	4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80	56.80
5.	Nil (Previous year 58,900) Equity Shares of Bank of India, of the face value of Rs.10/- each, fully paid-up.	0.00	26.51	26.51
			56.81	83.36
II. Unquoted				
1.	2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25	0.25
2.	2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid up.	0.25	0.25	0.25
3.	500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05	0.05
4.	10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00	8.00
5.	4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	1.00	1.00	1.00
6.	4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00	1.00
7.	1,000 Equity Shares of Poornawadi Co-op. Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00	1.00
8.	1,77,76,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees. (1,07,01,000 shares allotted during the previous year)	1,077.19	1,077.19	1,077.19
9.	2,49,69,000 - 0.01% Optional Convertible Cumulative Redeemable Preference Shares of Garware Chemicals Ltd. of the face value of Rs. 10/-each, fully paid up, allotted during the previous year	2,496.90	2,496.90	2,496.90
			3,585.64	3,585.64
III. In Subsidiary Company (Unquoted)				
	2,50,000 Ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.	133.57	133.57	133.57
TOTAL		3,776.02	3,802.57	3,802.57
		Cost	Market value	Cost
				Market value
NOTE : Aggregate amount of company's investments :				
	Quoted	56.81	191.40	83.36
	Unquoted	3,719.21		3,719.21
TOTAL		3,776.02		3,802.57

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS :		
I. Inventories :		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At cost)	2,646.80	2,779.75
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,265.95	1,939.29
(ii) Finished goods (At cost or market value whichever is lower)	821.04	617.04
(iii) Semi-finished goods (At cost)	3,262.67	3,426.13
	7,996.46	8,762.21
II. Sundry Debtors :		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	20.75	8.40
(ii) Considered Doubtful	503.05	503.05
	523.80	511.45
Less : Provision for Doubtful Debts	503.05	503.05
	20.75	8.40
(b) Other Debts (Including Rs. 537.13 Lakhs due from subsidiary companies, previous year Rs. 653.47 Lakhs) and Rs. 2,301.95 Lakhs due from Associate Company (Garware Chemicals Ltd), Previous year Rs. Nil.	6,608.68	4,909.61
	6,629.43	4,918.01
III. Cash and Bank Balances :		
(a) Cash on hand	22.29	28.13
(b) Bank balances :		
With Scheduled Banks :		
In Current Accounts	255.49	232.13
In Margin Money Accounts	21.19	29.29
In Deposit Accounts	157.00	145.76
	455.97	435.31
IV. Other Current Assets :		
(a) Export benefits/Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,332.61	1,286.30
(b) Other receivables	3,153.43	2,187.49
	4,486.04	3,473.79
B) LOANS & ADVANCES :		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs.145.83 Lakhs due from Associate Company Previous year Rs.163.82 Lakhs)	1,109.71	958.01
(ii) Short Term Deposit with Banks (Earmarked for Specific Projects)	3,863.86	0.00
(iii) Sacrifice / Premium on restructured Term loans	224.00	385.37
(iv) Advance against Capital Expenditure	818.32	11.25
(v) Deposits with Customs & Excise authorities	753.38	786.53
(vi) Deposits with others	401.11	410.24
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	814.54	601.56
(viii) Loan to Associate Company viz. Garware Chemicals Ltd.	0.00	0.05
	7,984.92	3,153.01
TOTAL	27,552.82	20,742.33

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities :		
(i) Sundry Creditors (Refer Note No 18 in Schedule 12 B) including Rs. Nil (Previous year Rs.10.73 Lakhs) due to Associate Company	1,963.62	1,667.16
(ii) Other Liabilities (Including Rs. Nil due to Directors, Previous year Rs.124.07 Lakhs and Rs. 73.48 Lakhs due to Subsidiary Companies, Previous year Rs. 120.25 Lakhs)	612.56	781.75
(iii) Deposits and advances from customers & others	203.82	119.02
(iv) Unclaimed Dividend	10.43	4.07
(v) Unclaimed Debenture and Interest	5.23	8.06
(vi) Unclaimed Matured Deposits	0.55	0.70
	2,796.21	2,580.76
B) Provisions :		
(i) Provision for Taxation	695.14	609.14
(ii) Provision for Fringe Benefit Tax	101.00	0.00
(iii) Provision for Proposed Dividend	0.00	218.41
(iv) Tax on Dividend	0.00	30.63
	796.14	858.18
TOTAL	3,592.35	3,438.94

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claim	11.01	20.44
Income from Investments (Gross)	10.93	31.23
Interest on short term deposits with banks and others (Gross) (TDS Rs. 1.79 Lakhs, Previous year Rs. 4.06 Lakhs)	67.96	17.31
Miscellaneous income	73.64	62.21
Profit on sale of fixed assets (Net)	3.90	4.46
Profit on sale of Investments	49.40	0.00
Provision for doubtful debts	0.00	35.02
Less : Bad debts Written off	0.00	32.02
Provision written back on recovery	0.00	3.00
Excess Provision / Sundry Credit Balances written back	99.08	22.70
Rent (TDS Rs. 0.40 Lakh, Previous year Rs. 0.38 Lakh)	4.20	3.70
Sales Tax / Excise refund	116.54	9.08
Gain on Exchange Rate Fluctuations	0.00	195.28
TOTAL	436.66	369.41

SCHEDULE 9

INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

Opening Stock :		
Finished goods	617.04	549.94
Semi finished goods	3,426.13	2,422.26
	4,043.17	2,972.20
Closing Stock :		
Finished goods	821.04	617.04
Semi finished goods	3,262.67	3,426.13
	4,083.71	4,043.17
Increase / (Decrease)	40.54	1,070.97

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 10		
RAW MATERIALS CONSUMED		
Opening Stock	1,939.29	1,575.08
Add: Purchases and Expenses	<u>23,418.87</u>	<u>26,280.72</u>
	25,358.16	27,855.80
Less : Closing Stock	<u>1,265.95</u>	<u>1,939.29</u>
TOTAL	<u><u>24,092.21</u></u>	<u><u>25,916.51</u></u>
SCHEDULE 11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses :		
Stores, Spares and Packing Materials Consumed (Net)	2,685.39	2,671.74
Power and Fuel (Net)	4,006.67	3,670.46
Processing Charges	928.65	681.59
Water Charges	<u>84.29</u>	<u>94.52</u>
	7,705.00	7,118.31
B. Employees' Remuneration & Benefits :		
Salaries, Wages and Bonus	1,847.31	1,739.24
Contribution to Provident and Other Funds	303.24	239.04
Staff Welfare Expenses	<u>239.27</u>	<u>233.98</u>
	2,389.82	2,212.26
C. Administrative, Selling and General Expenses :		
Rent, Hire charges and Compensation (Net)	27.97	38.53
Rates, Taxes and Licence Fees	25.34	30.47
Insurance (Net)	515.80	541.93
Freight and Forwarding (Net)	1,702.60	1,662.33
Research and Development Expenses	429.80	191.76
Repairs and Maintenance of :		
(i) Plant and Machinery	523.00	609.10
(ii) Buildings	230.96	244.71
(iii) Other Assets	<u>424.68</u>	<u>307.42</u>
	1,178.64	1,161.23
Advertisement Expenses	35.82	108.40
Sales Tax Expenses	128.12	24.59
Travelling & Conveyance	482.15	438.49
Postage, Telegrams & Telephones	112.34	112.68
Lease Rentals	57.12	58.09
Commission on Sales	210.63	275.70
Donations	27.21	35.59
Legal and Professional charges (Refer Note No. 8 in Schedule 12 B)	601.12	414.17
Auditors' Remuneration		
(i) Audit fees	7.00	6.00
(ii) Tax Audit fees	3.00	3.00
(iii) For Certification / Others	2.03	3.19
(iv) Reimbursement of out of pocket expenses	<u>0.30</u>	<u>0.81</u>
	12.33	13.00
Miscellaneous Expenses	808.38	894.21
Loss on Swap / Exchange rate fluctuations	<u>199.60</u>	<u>87.44</u>
	6,554.97	6,088.61

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SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 11 (contd.)		
D. Managerial Remuneration :		
(a) To Managing Director & Joint Managing Directors :		
(i) Salary	128.00	157.75
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	36.86	45.43
(iii) Other Perquisites	32.27	43.79
	<u>197.13</u>	<u>246.97</u>
(b) To Whole Time Director :		
(i) Salary	14.40	14.40
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	4.16	4.15
(iii) Other Perquisites	4.17	2.71
	<u>22.73</u>	<u>21.26</u>
(c) Commission to Managing Director & Joint Managing Directors	0.00	124.07
(d) Directors' sitting fees	1.48	1.13
	<u>221.34</u>	<u>393.43</u>
TOTAL	<u><u>16,871.13</u></u>	<u><u>15,812.61</u></u>

SCHEDULE 12:
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
A. SIGNIFICANT ACCOUNTING POLICIES
1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the assets to working condition for its intended use including interest and other incidental expenses upto the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital Reserve Account.

Depreciation / Amortisation is provided as follows :

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum.
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.

3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation but excluding interest).

5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss / gain, arising from such transaction, is charged to the relevant revenue heads in the Profit and Loss Account.
- Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and / or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the Profit and Loss Account.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

6. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.

7. Duties

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

ANNUAL REPORT 2005-2006**SCHEDULE 12 (Contd.)****8. Retirement Benefits**

Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India. Liability for Leave Encashment is not provided as the company is compiling data for accrued liability.

9. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

10. Contingent Liabilities

No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

11. Research and Development

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

12. Revenue Recognition**(i) Sales**

Sales are accounted for inclusive of excise duty and sales tax (wherever not charged separately), and are net of discounts and returns.

(ii) Export Benefits

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

13. Taxation

(i) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.

(ii) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.

14. Deferred Revenue Expenditure

Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.

15. Borrowing Cost

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

16. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

B. NOTES :-

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 4,163.73 Lakhs (Previous year Rs. 321.43 Lakhs) against which an advance of Rs. 818.32 Lakhs (Previous year Rs. 11.25 Lakhs) has been paid.
2. The Company has given counter-guarantees for Rs. 442.29 Lakhs (Previous year Rs. 284.50 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
3. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.10,668.29 Lakhs (Previous year Rs. 8,812.14 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 4,868.73 Lakhs (Previous year Rs. 3,676.45 Lakhs).
5. Secured Loans :
 - (i) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April, 2003 out of which Rs. 1,235.78 Lakhs was redeemed during the current year (Previous year Rs. 1,442.71 Lakhs).

SCHEDULE 12 (Contd.)

- (ii) Zero Coupon Bonds aggregating to Rs. 3,662.51 Lakhs are payable as under :
- Amount of Rs. 970.53 Lakhs is payable to Exim Bank in quarterly instalments till 1st January, 2010 and balance of Rs. 2,691.98 Lakhs is payable with premium of Rs. 2,288.18 Lakhs from 1st April, 2006.
 - Amount of Rs. 594.44 Lakhs is payable in 2006-2007.
- (iii) Amount of Term Loans / Debentures, other than Zero Coupon Bond, repayable within one year is Rs. 5,387.97 Lakhs (Previous year Rs. 4,255.08 Lakhs).
- (iv) An amount of Rs. 385.37 Lakhs being sacrifice and premium settled with EXIM Bank has been written off during the year.
- (v) The amount of sacrifice mentioned in sanction letters of EXIM Bank of India and ICICI Bank Limited (Term Loan) has been negotiated and settled. The same in respect of Industrial Development Bank of India Limited, has been negotiated and Industrial Development Bank of India Limited has agreed in principle to settle the same vide its letter dated 27th August, 2005. As the Modifications / Amendments in the terms and conditions of sanction relating to sacrifice / premium is in progress, the sacrifice / premium of Rs. 224 Lakhs paid to Industrial Development Bank of India Limited is treated as advance and shown under Loans & Advances in Schedule 6.
6. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly instalments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.

7. Contingent liability not provided for :

	2005 - 06 (Rs. in Lakhs)	2004 - 05 (Rs. in Lakhs)
(a) Disputed matters in appeal / contested in respect of :		
Income Tax	40.83	0.00
Excise Duty	7.21	0.00
Sales Tax	17.13	4.59
(b) Claims against the company not acknowledged as debts	8.51	9.76

8. Legal and Professional Charges include Rs. 3.55 Lakhs (Previous year Rs. 3.33 Lakhs) paid to some of the Partners of the Auditors for other services.
9. The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Ltd. for repayment of term loans, interest and other charges thereon to:-
- IDBI for Rs. 13,159.33 Lakhs (Previous year Rs. 13,267.67 Lakhs).
 - Mizuho Corporate Bank Limited for Rs. 3,400.84 Lakhs (Previous year Rs. 3,202.13 Lakhs).

Mizuho Corporate Bank Limited has filed a case in Bombay High Court with regards to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as Garware Chemicals Limited is registered with BIFR under Sick Industrial Companies (Special Provision) Act, 1985.

The Company has reached final settlement with both the lender and the assignee of Mizuho Corporate Bank Ltd., by which the corporate guarantee gets restricted to Rs. 750 Lakhs.

10. Break up of Interest and financial charges are :

	2005 - 06 (Rs. in Lakhs)	2004 - 05 (Rs. in Lakhs)
On Secured Loans	742.42	739.49
On Debentures	929.57	1,118.62
Other Interest (Net)	2,268.84	2,128.47
Financial Charges	555.53	449.45
Total	4,496.36	4,436.03

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SCHEDULE 12 (Contd.)

11. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 1,704.33 Lakhs (Previous year Rs. 2,417.89 Lakhs) against export effected during the year has been credited to Export Benefits earned account and which has been included in sales.
12. Computation of net profit as per section 349 read with section 309 (5) and 198 of the Companies Act, 1956 is as under.

	2005 - 06 (Rs. in Lakhs)	2004 - 05 (Rs. in Lakhs)
Profit before prior period adjustments	1,081.79	3,560.27
<i>Add :</i>		
(i) Remuneration to Directors	219.86	392.30
(ii) Directors sitting fees	1.48	1.13
Total	1,303.13	3,953.70
<i>Less :</i>		
(i) Profit on sale of Fixed Assets	3.90	4.46
(ii) Profit on sale of Investments	49.40	0.00
(iii) Provision for doubtful debts & sundry credit balances written back	99.08	25.70
Net Profit as per Sec. 349 of Companies Act, 1956	1,150.75	3,923.54
Remuneration including commission @ 10% on Rs. 1,150.75 Lakhs (Previous year Rs. 3,923.54 Lakhs)	115.08	392.35
Commission Provided is subject to the approval of shareholders at the ensuing Annual General Meeting and other approvals as may be required.	N.A.	124.07

The remuneration of Rs. 197.13 Lakhs paid to the Managing Director and Joint Managing Directors are subject to the sanction of the Central Government in respect of which application have been made and are pending with Government.

13. Segment Reporting :

- a) The company is only in one line of business namely - Polyester Film.
- b) The Segment Revenue in the Geographical segment considered for disclosure are as follows :-
- Revenue within India includes sales to customers located within India.
 - Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2005 - 06 (Rs. in Lakhs)			2004 - 05 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	25,479.75	27,230.67	52,710.42	28,310.32	27,081.32	55,391.64
Amount of Segment Assets by location of assets. (Net Value)	22,841.33	—	22,841.33	24,206.50	—	24,206.50

14. Related Party Disclosures :-

- a) List of Related Parties :

Subsidiary	:	Garware Polyester International Limited
Fellow Subsidiary	:	Global Pet Films, Inc.
Associate Companies	:	Garware Industries Limited and Garware Chemicals Limited
Key Management Personnel	:	1) Shri S. B. Garware 2) Mrs. Monika Garware Modi 3) Ms. Sarita Garware 4) Miss Sonia S. Garware

SCHEDULE 12 (Contd.)

b) Transaction with Related Parties	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
(i) Sale of Goods :		
(a) Subsidiary	932.36	1,256.91
(b) Fellow Subsidiary	5,185.97	3,673.72
(c) Associate Company	2,501.65	2,545.80
(ii) Purchase of Materials / Processing Charges and Capital items : Associate Company	16,560.69	16,790.32
(iii) Services Received :		
(a) Subsidiary	0.00	101.88
(b) Fellow Subsidiary	16.34	0.00
(c) Associate Company	1.71	13.13
(iv) Services Rendered :		
Associate Company	1,296.39	1,339.74
(v) Balances [Dr. / (Cr.)]		
(a) Subsidiary	37.06	113.87
(b) Fellow Subsidiary	426.59	419.36
(c) Associate Company	2,447.78	153.15
(vi) Guarantee on behalf of Associate Company (Refer Note No. 9 in Schedule 12 B)		
(vii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

15. Earning Per Share :

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
Profit for the year	1,081.79	3,560.27
Add : Income Tax Refund of Prior years	41.71	0.00
Less : Deferred Tax	367.00	1,224.98
Less : Current Income Tax	86.00	277.81
Less : Fringe Benefit Tax	101.00	0.00
Less : Wealth Tax	3.92	3.15
Profit attributable to equity shareholders	565.58	2,054.33
No. of Equity Shares of Rs.10/- each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	2.59	9.41

16. Deferred Tax :

- (a) Deferred Tax Liability of Rs. 367.00 Lakhs is provided in the current year, (Previous year Rs.1,224.98 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March, 2006 are given here below.

Deferred Tax Assets	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	2,942.02	3,511.62
Unabsorbed Business Losses, Depreciation & Capital Losses	3,904.80	4,771.68
Others	243.76	281.82
Deferred Tax Assets (i)	7,090.58	8,565.12
Less : Deferred Tax Liability :		
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961 (ii)	6,727.51	7,835.05
Deferred Tax Assets (Net) (i)-(ii)	363.07	730.07

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SCHEDULE 12 (Contd.)

17. Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit for the year.
18. (a) Sundry Creditors in Schedule 7 to the accounts include Rs. 76.00 Lakhs (Previous year Rs. 185.81 Lakhs) payable to small scale industrial undertakings and Rs. 1,887.62 Lakhs (Previous year Rs. 1,481.35 Lakhs) payable to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under clause (i) of section 3 of the Industries (Development and Regulation) Act, 1951.

The names of the small-scale industrial undertakings to whom the Company owes sums outstanding for more than 30 days as on 31st March, 2006 are as under :

M/s. Abhishek Enterprises	M/s. Poonam Enterprises
M/s. Able Moulders	M/s. Peekay Enterprises
M/s. Aditya Packaging	M/s. P.C. Wood Industries Pvt.Ltd.
M/s. Aditya Polymers	M/s. Perfect Engg. Services (Nasik)
M/s. Aqura	M/s. Patel Industries
M/s. Aerocool Engineers	M/s. Rahul Industrial Engineering
M/s. Ellora Gases Pvt. Ltd.	M/s. Rishi Enterprises
M/s. Ganesh Industries	M/s. Reliable Enterprises
M/s. Holkar Industries	M/s. Smitshilp Plastics Industries Pvt. Ltd.
M/s. Infinity Engineering	M/s. Suresh Polymers Pvt. Ltd.
M/s. Maharashtra Saw Mills	M/s. Shree Krishna Vijay Saw Mills
M/s. Milar Plastics Industries	M/s. Sangir Plastics (P) Ltd.
M/s. Mona Rasayan Industries Ltd.	M/s. Secure Polymers Pvt. Ltd.
M/s. Mansi Paper Products Pvt.Ltd.	M/s. Shree Samarth Traders
M/s. Multipower Marketing & Services	M/s. Shree Engineering Co.
M/s. Novel Packaging industries	M/s. S.S. Supplier, Aurangabad
M/s. Pioneer Packaging	M/s. Umasons Steelfab Pvt. Ltd.
M/s. Padmavati Plastics	M/s. Universal Enterprises (Aurangabad)
M/s. Patidar Wooden Works	

- (b) There is no obligation for payment of interest on overdue amounts, if any, as per the terms of supplies. Thus, the question of providing interest does not arise.
19. In accordance with the Accounting Standard 28 (AS 28) issued by Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed a professional consultancy firm as the valuers to assess impairment of each Cash Generating Unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report there is no impairment to any of the asset as such no provision for impairment of assets is required to be made in the accounts.
20. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
21. The break up of Expenses capitalized and shown under Capital Work in Progress (Pending Allocation) as on 31.03.2006 is as under :

Particulars	(Rs. in Lakhs)
Salary / Wages	50.08
Interest	88.95
Bank / Financial Charges	13.33
Insurance Premium	10.51
Travelling Expenses	4.43
Others	2.36
Total	169.66

SCHEDULE 12 (Contd.)

22. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

(A) Licensed & Installed Capacities :

Product	2005 - 06		2004 - 05	
	Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)
(i) Polyester Film	80000	41000	80000	41000
(ii) Metallised Film	2210	2210	2210	2210
(iii) Polyester Chips	50400	50400	50400	50400

Note: Installed capacities and Licensed capacities are as per the certificate given by the Director - Technical on which Auditors have relied.

(B) Details of Sales

Class of Goods:	2005 - 06		2004 - 05	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	34655*	50,746	35179*	53,396
(ii) Others (including Chips)		1,964		1,996

* Includes internal transfers & free samples.

(C) Actual Production & Stocks

Class of Goods :	Unit	2005 - 06			2004 - 05		
		Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT (Rs. in Lakhs)	342.97 571.76	34897.70	585.40 754.11	438.50 480.81	35083.50	342.97 571.76
(ii) Chips (excluding conversion)		N.A.	Produced for captive use in the manufacture of films		N.A.	Produced for captive use in the manufacture of films	
(iii) Others	(Rs. in Lakhs)	45.28		66.93	69.13		45.28

(D) Consumption of Raw Materials

	2005 - 06		2004 - 05	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	34928	13,083.69	36622	14,450.39
(ii) MEG	12229	5,500.32	12548	6,865.43
(iii) Others		5,508.20		4,600.69
Total		* 24,092.21		* 25,916.51

* After adjusting sale of raw material amounting to Rs. 454.72 Lakhs (Previous year Rs. 671.00 Lakhs) and Octroi Duty Refund of Rs. 325.24 Lakhs (Previous year Rs. 332.76 Lakhs).

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SCHEDULE 12 (Contd.)

E) Details of imports on CIF basis

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
(i) Raw Materials	2,150.14	1,788.11
(ii) Packing Materials	98.57	89.82
(iii) Components & Spares	263.61	429.56
(iv) Capital Goods	423.40	453.68

(F) Details of Imported & Indigenous Raw Materials and Spares Parts consumed and percentage of each to the total

	2005 - 06		2004 - 05	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
- Imported	2,478.76	10	1,767.53	7
- Indigenous	21,613.45	90	24,148.98	93
Total	<u>24,092.21</u>	<u>100</u>	<u>25,916.51</u>	<u>100</u>
(ii) Stores & Spares:				
- Imported	278.95	30	377.37	33
- Indigenous	662.27	70	769.57	67
Total	<u>941.22</u>	<u>100</u>	<u>1,146.94</u>	<u>100</u>

(G) Remittances / Expenditure in Foreign Currency

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
(i) Commission	193.98	258.69
(ii) Advertisement / Marketing Expenses	158.98	176.06
(iii) Travelling Expenses	131.11	115.04
(iv) Books, Periodicals & Subscription	18.06	17.83
(v) Technical / Engg. Services / Professional Charges	187.01	137.59
(vi) Exhibition Expenses	9.32	12.21
(vii) Interest	174.44	160.85
(viii) Recruitment Expenses	9.44	8.62
(ix) Others	2.03	8.96

(H) Earnings in Foreign Exchange

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
(i) Exports (FOB basis)	24,626.41	23,667.77
(ii) Dividend Income	0.00	20.62

23. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year.

24. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.	10889	State Code	11
Balance Sheet Date	31.03.2006		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	6675221	Total Assets	6675221
Sources of Funds			
Paid-up Capital	217793	Reserves & Surplus	1071026
Secured Loans	5284527	Unsecured Loan	101875

Application of Funds

Net Fixed Assets	3865265	Investments	377602
Net Current Assets	2396047	Misc. Expenditure	0
Deferred Tax Assets	36307		

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

Turnover	8505228	Total Expenditure	8397049
Profit before tax	108179	Profit after tax	52387
		Net Profit	56558

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+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per share (Rs.)	2.59*	Dividend rate %	Nil
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V. Generic Names of Three Principal Products / Services of Company (as per monetary term)

Item Code No.	39206909	39206903	39206904
Product Description	POLYESTER FILM	PACKAGING POLYESTER FILM	SUN CONTROL FILM

* Refer Note No. 15 in Schedule 12B

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	Year ended 31.03.2006 (Rs. in Lakhs)	Year ended 31.03.2005 (Rs. in Lakhs)
A. Cash flow from operating activities :		
Net Profit before tax and extraordinary items	1,081.79	3,560.27
Add : Depreciation	3,037.41	3,104.90
Interest expenses - Gross	4,496.36	4,436.03
Loss on Exchange Rate Fluctuations	199.60	87.44
Income Tax Prior period (Net) Refund	41.71	0.00
Sub total	<u>7,775.08</u>	<u>7,628.37</u>
Total	<u>8,856.87</u>	<u>11,188.64</u>
Less : Interest income	67.96	17.31
Profit on Exchange Rate Fluctuations	0.00	195.28
Profit on sale of Investments	49.40	0.00
Profit on sale of fixed assets	3.90	4.46
Dividend received / Income from Investment	10.93	31.23
Sundry balances Written Back (Net)	99.08	22.70
Rent	4.20	3.70
Sub total	<u>235.47</u>	<u>274.68</u>
Operating profit before working capital changes	8,621.40	10,913.96
Adjustments For :		
(Increase) / Decrease in trade/other receivable	(7,342.60)	791.55
(Increase) / Decrease in inventories	765.75	(1,739.70)
Increase / (Decrease) in trade/other payables	311.18	231.82
Cash generated from operations	2,355.73	10,197.63
Direct taxes refund / (paid) (Net)	(216.90)	(267.08)
Net cash inflow/(outflow) from operations	<u>2,138.83</u>	<u>9,930.55</u>
B. Cash flow from investing activities :		
Purchase of fixed assets	(2,607.98)	(1,693.70)
Purchase of investments in Associate Company (Garware Chemicals Ltd.)	0.00	(3,567.00)
Sale of fixed assets	29.89	49.92
Interest received	67.96	17.31
Profit on Exchange Rate Fluctuations	0.00	195.28
Loss on Exchange Rate Fluctuations	(199.60)	(87.44)
Sale of Investments	75.95	0.00
Dividend received / Income from Investment	10.93	31.23
Rent	4.20	3.70
Net cash inflow/(outflow) from investing activities	<u>(2,618.65)</u>	<u>(5,050.70)</u>

**CASH FLOW STATEMENT (Contd.)**

	Year ended 31.03.2006 (Rs. in Lakhs)	Year ended - 31.03.2005 (Rs. in Lakhs)
C. Cash flow from financing activities		
Interest / Financial Charges	(4,586.46)	(4,287.36)
Repayment of borrowings - Secured	2,623.98	(4,532.93)
Proceeds / (repayments) of borrowings - Unsecured	206.92	(267.30)
Cash credit accounts	2,498.72	4,407.35
Dividend paid	(212.05)	(221.21)
Dividend Tax Paid	(30.63)	(28.54)
Net cash inflow / (outflow) from financing activities	<u>500.48</u>	<u>(4,929.99)</u>
Net increase / (decrease) in cash and cash equivalents	<u>20.66</u>	<u>(50.14)</u>
Cash and cash equivalents as at opening		
Cash and bank balances	435.31	485.45
Cash and cash equivalents as at closing		
Cash and bank balances	<u>455.97</u>	<u>435.31</u>
	<u>20.66</u>	<u>(50.14)</u>

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered AccountantsS. B. GARWARE
Chairman &
Managing DirectorA. B. BHALERAO
Director - TechnicalB. MORADIAN
DirectorINDULAL H. SHAH
PartnerS. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006

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**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Global Pet Films Inc.
B)	Financial period of the Subsidiary Companies ended on :	31st March, 2006	31st March, 2006
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates :		
	(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	100%	
D)	The net aggregate of Profit / (Loss) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited		
	(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31/03/2006.		
	(i) For the Subsidiaries' Financial period ended on the respective dates	(in £) (5898)	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in £) 112406	N.A.
	(b) Dealt with in the accounts of Garware Polyester Limited, for the year ended 31/03/2006 amounted to:-		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	N.A.	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in £) 25000	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31/03/2006	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31/03/2006	NIL	NIL
	(1) Fixed Assets		
	(2) Investments		
	(3) Monies lent by the Subsidiary		
	(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities		

For and on behalf of the Board of Directors

S. B. GARWARE
*Chairman &
Managing Director*

A. B. BHALERAO
Director - Technical

B. MORADIAN
Director

S. CHAKRABORTY
*Company Secretary &
General Manager (Legal)*

Mumbai, 17th August, 2006

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GARWARE POLYESTER LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GARWARE POLYESTER LIMITED AND ITS SUBSIDIARIES

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B(1) of Schedule 12 of the Consolidated Financial Accounts as at 31st March, 2006 and also the Consolidated Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films, Inc. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of subsidiaries is based solely on the reports of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of Garware Polyester Limited and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of Garware Polyester Limited and its subsidiaries the said accounts read together with the notes in Schedule 12, 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 Consolidated State of affairs of Garware Polyester Limited and its subsidiaries as at 31st March, 2006.
- b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the year ended on that date.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, 17th August, 2006

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CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH , 2006

	Schedule	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.93	2,177.90
Reserves & Surplus	2	<u>10,226.39</u>	<u>10,205.18</u>
		12,404.32	12,383.08
LOAN FUNDS			
Secured Loans	3A	52,858.32	47,809.84
Unsecured Loans	3B	<u>1,018.75</u>	<u>811.68</u>
		53,877.07	48,621.52
TOTAL		<u>66,281.39</u>	<u>61,004.60</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	73,069.74	71,732.83
Less : Depreciation		<u>36,018.15</u>	<u>33,020.25</u>
Net Block		<u>37,051.59</u>	<u>38,712.58</u>
Capital Work in Progress		<u>1,616.74</u>	<u>404.39</u>
		38,668.33	39,116.97
INVESTMENTS			
	5	3,642.45	3,669.00
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	9,396.97	9,558.92
Sundry Debtors		6,040.60	4,786.76
Cash and Bank Balances		1,084.07	1,114.01
Other Current Assets		4,491.68	3,506.92
Loans and Advances		<u>7,993.08</u>	<u>3,241.34</u>
		29,006.40	22,207.95
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	4,602.72	3,855.42
Provisions		<u>796.14</u>	<u>863.98</u>
		5,398.86	4,719.40
Net Current Assets		23,607.54	17,488.55
Deferred Tax Assets		363.07	730.08
TOTAL		<u>66,281.39</u>	<u>61,004.60</u>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006

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

	Schedule	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		52,844.41	55,441.59
Inter-Divisional Transfers (as per contra)		31,864.66	34,033.30
Gross Sales		84,709.07	89,474.89
Less : Excise duty		3,608.72	4,001.70
Net Sales		81,100.35	85,473.19
Other Income	8	442.32	379.57
Increase / (Decrease) in Finished and Semi-finished Goods	9	644.34	1,363.14
		82,187.01	87,215.90
EXPENDITURE :			
Raw Materials consumed	10	24,493.48	25,738.86
Inter-Divisional Transfers (as per contra)		31,864.66	34,033.30
Manufacturing & other expenses	11	17,650.23	16,445.72
Interest & financial charges (Refer Note No 12 in Schedule 12B)		4,548.88	4,450.86
		78,557.25	80,668.74
Profit before Depreciation		3,629.76	6,547.16
Depreciation		3,042.38	3,104.90
Profit for the year before Tax		587.38	3,442.26
Less : Provision for Taxation			
Deferred Tax		367.00	1,224.98
Current Tax		86.00	283.61
Fringe Benefit Tax		101.00	0.00
Wealth Tax		3.92	3.15
Profit after Tax		29.46	1,930.52
Add : Income Tax Refund for prior years		41.71	0.00
Net Profit		71.17	1,930.52
Add : Balance brought forward from previous year		4,935.20	3,309.28
Profit available for appropriations		5,006.37	5,239.80
APPROPRIATIONS :			
Proposed Dividend		0.00	218.41
Tax on Dividend		0.00	30.63
Education cess on Dividend Tax of previous year		0.00	0.56
Transfer to General Reserve		0.00	55.00
		0.00	304.60
Balance carried to Balance Sheet		5,006.37	4,935.20
Earning per Share (Refer Note No 16 in Schedule 12B) (Rupees)		0.33	8.84

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2006 (Rs. in Lakhs)		As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 1			
SHARE CAPITAL			
Authorised :			
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>		<u>2,500.00</u>
Issued,Subscribed and Paid-up :			
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14	
Less : Unpaid Allotment Call money (from others)	<u>6.21</u>	<u>6.24</u>	
	<u>2,177.93</u>		<u>2,177.90</u>
Out of the above :			
(i) 16,50,600 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves.			
(ii) 6,60,000 Equity Shares of Rs. 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.			
(iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs.			
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants.			
SCHEDULE 2			
RESERVES AND SURPLUS			
Share Premium :			
Balance as per last Balance Sheet	48.70		48.70
Debenture Redemption Reserve :			
Balance as per last Balance Sheet	1,356.05		1,356.05
General Reserve :			
Balance as per last Balance Sheet	3,672.05	3,617.05	
Transfer from Profit & Loss Account	<u>0.00</u>	<u>55.00</u>	
	3,672.05		3,672.05
Foreign Currency Translation Reserve :			
Balance as per last Balance Sheet	193.18	49.69	
Addition / (deduction) during the year	<u>(49.96)</u>	<u>143.49</u>	
	143.22		193.18
Profit & Loss Account :			
	<u>5,006.37</u>		<u>4,935.20</u>
TOTAL	<u>10,226.39</u>		<u>10,205.18</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	Notes	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 3			
A SECURED LOANS			
I. Debentures / Bonds (Refer Note No. 7 and 8 in Schedule 12 B)			
(i) 12.5% Non Convertible / Privately Placed Debentures	A TO D	7,970.94	9,413.65
Less : Redeemed during the year		1,235.78	1,442.71
		6,735.16	7,970.94
(ii) O'Coupon Bonds / Debentures	E	3,928.56	4,967.57
Less : Redeemed during the year		266.05	1,039.01
		3,662.51	3,928.56
(iii) Interest accrued and due		340.65	544.07
		10,738.32	12,443.57
II. From Banks			
Cash / Packing Credit Accounts	F	5,348.12	4,267.93
Working Capital Demand Loan		12,923.25	11,491.67
Interest accrued and due		0.00	22.88
		18,271.37	15,782.48
III. Term Loans			
(i) Financial Institutions	G	7,463.09	6,347.75
(ii) Banks (Rs.)	H	4,437.29	1,002.35
(iii) Banks (Foreign currency)	H	3,525.54	3,952.75
(iv) Interest accrued & due (Bank)		139.03	0.00
(v) Hire Purchase / Vehicle Finance	I	22.97	20.23
		15,587.92	11,323.08
IV. Deferred Interest	J	8,260.71	8260.71
TOTAL		52,858.32	47,809.84

Notes :

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 589.27 Lakhs (Previous year Rs 913.82 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 992.25 Lakhs (Previous year Rs. 1,258.40 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 4,893.27 Lakhs (Previous year Rs. 5,468.93 Lakhs) are secured by first charge / mortgage ranking pari-passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs.100/- each aggregating to Rs. 260.37 Lakhs (Previous year Rs. 329.79 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs. 100/- each aggregate Rs.3,662.51 Lakhs (Previous year Rs. 3,928.56 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs. 1,967.27 Lakhs (Previous year Rs. 2,073.32 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.1,695.25 Lakhs (Previous year Rs. 1,855.24 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 7,463.09 Lakhs (Previous year Rs. 6,347.75 Lakhs) are secured / to be secured as under:

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

- (1) An amount of Rs. 2,713.33 Lakhs (Previous year Rs. 2,951.47 Lakhs) is secured by:
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on :
- (i) Specified movables for securing borrowings for the Company's Working Capital requirements; and
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export is of Rs. 3,002.26 Lakhs (Previous year Rs. 3,171.28 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- (3) EXIM Bank Working Capital loan of Rs. 1,672.50 Lakhs (Previous year Nil) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 7,962.83 Lakhs (Previous year Rs. 4,955.10 Lakhs) from Banks are secured as under :
- (1) Term Loans of Rs. 853.09 Lakhs (Previous year Rs. 953.45 Lakhs) is secured by :
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on :
- (i) Specified movables for securing borrowings for the Company's Working Capital requirements; and
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Term Loans of Rs. 1,886.58 Lakhs out of Rs. 1,925.18 Lakhs (Previous year Rs. 2,344.66 Lakhs out of Rs. 2,393.56 Lakhs) is a Foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (3) Term Loans of Rs. 3,545.60 Lakhs (Previous year Nil), is secured by way of the project assets. The said loan is also secured by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
- (4) Term Loan of Rs. 1,638.96 Lakhs (Previous year Rs. 1,608.09 Lakhs) is a Foreign currency loan. The same is secured by:
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on :
- (i) Specified movables for securing borrowings for the Company's Working Capital requirements; and
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March, 2006 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
B UNSECURED LOANS		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	468.75	601.68
(ii) Short Term Loan from others	550.00	210.00
TOTAL	<u>1,018.75</u>	<u>811.68</u>


SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)
SCHEDULE 4
FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost / Revaluation As at 01.04.2005	Additions during the year	Sales / Transfer during the year	Cost / Revaluation As at 31.03.2006	Up to 31.3.2006	As at 31.3.2006	As at 31.3.2005
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	6,992.13	6,992.13
2.	Land (Leasehold)	1,825.08	42.87	0.00	1,867.95	0.00	1,867.95	1,825.08
3.	Buildings	7,570.87	50.75	14.17	7,607.45	3,745.89	3,861.56	4,221.54
4.	Plant & Machinery	48,003.70	962.34	15.52	48,950.52	26,108.77	22,841.75	24,206.92
5.	Electrical Installations	2,825.44	7.67	0.00	2,833.11	2,138.87	694.24	798.06
6.	Moulds	287.54	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	190.74	129.70	0.00	320.44	127.50	192.94	76.83
8.	Furniture & Fixtures	471.95	30.62	0.00	502.57	384.72	117.85	114.27
9.	Office Equipments	430.80	26.05	0.00	456.85	311.95	144.90	141.24
10.	Vehicles	378.73	12.26	36.84	354.15	273.27	80.88	100.69
11.	Capital Expenditure On Research & Development	197.32	12.26	0.00	209.58	191.62	17.96	10.26
12.	Data Processing Equipments	1,022.95	95.02	4.00	1,113.97	915.20	198.77	213.46
13.	Expenditure On Tech. know-how/Product Development	1,378.12	37.90	0.00	1,416.02	1,375.36	40.66	12.10
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	0.00	0.00
	Total	71,732.83	1,407.44	70.53	73,069.74	36,018.15	37,051.59	38,712.58
	Previous Year	70,538.95	1,376.51	182.63	71,732.83	33,020.25	38,712.58	40,486.41
	Capital Work-in-Progress						1,616.74	404.39

NOTES :

- Buildings include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows :
 - on Capital Expenditure on R & D and Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to Lease hold Land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 5		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
A. In Government Securities (Unquoted) :		
1. 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	—	—
2. 7 years National Savings Certificates of the face value of Rs. 0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)	—	—
	—	—
B. In Shares :		
I Quoted		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01
2. NIL (Previous year Rs. 1,410) Equity Shares [including 1,255 Bonus Shares] of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up.	0.00	0.04
3. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	—	—
4. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
5. NIL (Previous year 58900) Equity Shares of Bank of India, of the face value Rs.10/- each, fully paid-up.	0.00	26.51
	56.81	83.36
II Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs.10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	1.00	1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi Co-op. Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. 1,77,76,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees. (1,07,01,000 shares allotted during the previous year)	1,077.19	1,077.19
9. 2,49,69,000 - 0.01% Optional Convertible Cumulative Redeemable Preference shares of Garware Chemicals Ltd.) of the face value of Rs. 10/- each, fully paid up allotted during the previous year.	2,496.90	2,496.90
	3,585.64	3,585.64
TOTAL	3,642.45	3,669.00
	Cost	Cost
	Market value	Market value
NOTE : Aggregate amount of company's investments.	Quoted 56.81	83.36
	Unquoted 3,585.64	220.72
TOTAL	3,642.45	3,669.00

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS :		
I. Inventories :		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At cost)	2,646.80	2,779.75
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,265.95	1,939.29
(ii) Finished goods (At cost or market value whichever is lower)	1,731.23	1,413.75
(iii) Semi-finished goods (At cost)	3,262.67	3,426.13
(iv) Stock in Transit	490.32	0.00
	9,396.97	9,558.92
II. Sundry Debtors :		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months		
(i) Considered Good	20.75	8.40
(ii) Considered Doubtful	503.05	503.05
	523.80	511.45
<i>Less : Provision for Doubtful Debts</i>	503.05	503.05
	20.75	8.40
(b) Other Debts		
(Including Rs 2,301.95 Lakhs due from Associate Company (Garware Chemicals Ltd.) Previous year Rs. Nil)	6,019.85	4,778.36
	6,040.60	4,786.76
III. Cash and Bank Balances :		
(a) Cash on hand	22.29	28.13
(b) Bank balances :		
With Scheduled Banks :		
In Current Accounts	883.59	910.83
In Fixed Deposit Accounts	157.00	0.00
In Margin Account	21.19	175.05
	1,084.07	1,114.01
IV. Other Current Assets :		
(a) Export benefits / Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,332.61	1,286.30
(b) Other receivables	3,159.07	2,220.62
	4,491.68	3,506.92
B) LOANS & ADVANCES :		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs.145.83 Lakhs due from Associate Company, Previous year Rs. 163.82 Lakhs)	1,116.55	1,042.61
(ii) Short Term Deposit with Banks (Earmarked for Specific Projects)	3,863.86	0.00
(iii) Sacrifice / Premium on restructured Term loans	224.00	385.37
(iv) Advance against Capital Expenditure	818.32	11.25
(v) Deposits with Customs & Excise authorities	753.38	786.53
(vi) Deposits with others	401.11	413.98
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	815.86	601.55
(viii) Loan to Associated Company viz. Garware Chemicals Ltd.	0.00	0.05
	7,993.08	3,241.34
TOTAL	29,006.40	22,207.95

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 31.03.2006 (Rs. in Lakhs)	As at 31.03.2005 (Rs. in Lakhs)
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities :		
(i) Sundry Creditors (Including Rs Nil, Previous year 10.73 Lakhs due to Associate Company)	3,753.01	2,894.26
(ii) Other Liabilities (Including Rs. Nil due to Directors, Previous year Rs. 124.07 Lakhs)	629.68	829.31
(iii) Deposits and advances from customers & others	203.82	119.02
(iv) Unclaimed Dividend	10.43	4.07
(v) Unclaimed Debenture & Interest	5.23	8.06
(vi) Unclaimed Matured Deposits	0.55	0.70
	<u>4,602.72</u>	<u>3,855.42</u>
B) Provision :		
(i) Provision for Taxation	695.14	614.94
(ii) Provision for Fringe Benefit Tax	101.00	0.00
(iii) Provision for Proposed Dividend	0.00	218.41
(iv) Tax on Dividend	0.00	30.63
	<u>796.14</u>	<u>863.98</u>
TOTAL	<u>5,398.86</u>	<u>4,719.40</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claims	11.01	20.44
Income from Investments (Gross)	16.59	41.39
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs. 1.79 Lakhs, Previous year Rs. 4.06 Lakhs)	67.96	17.31
Miscellaneous income	73.64	62.21
Profit on sale of fixed assets (Net)	3.90	4.46
Profit on sale of Investments	49.40	0.00
Provision for doubtful debts	0.00	35.02
Less : Bad debts written off	0.00	32.02
Provision written back on recovery	0.00	3.00
Excess Provision / Sundry Credit Balances written back	99.08	22.70
Rent (Tax deducted at source Rs. 0.40 Lakh, Previous year Rs. 0.38 Lakh)	4.20	3.70
Sales Tax / Excise refund	116.54	9.08
Gain on Exchange Rate Fluctuations	0.00	195.28
TOTAL	<u>442.32</u>	<u>379.57</u>

SCHEDULE 9**INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS**

Opening Stock :		
Finished goods	1,413.75	1,054.48
Semi finished goods	3,426.13	2,422.26
	<u>4,839.88</u>	<u>3,476.74</u>
Closing Stock :		
Finished goods	2,221.55	1,413.75
Semi finished goods	3,262.67	3,426.13
	<u>5,484.22</u>	<u>4,839.88</u>
Increase / (Decrease)	<u>644.34</u>	<u>1,363.14</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd.)

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 10		
RAW MATERIALS CONSUMED		
Opening Stock	1,939.29	1,575.08
Add : Purchases and Expenses	23,820.14	26,103.07
	<u>25,759.43</u>	<u>27,678.15</u>
Less : Closing Stock	1,265.95	1,939.29
TOTAL	<u>24,493.48</u>	<u>25,738.86</u>
SCHEDULE 11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses :		
Stores, Spares and Packing Materials Consumed (Net)	2,685.39	2,671.74
Power and Fuel	4,007.09	3,670.47
Processing Charges	928.65	681.59
Water Charges	84.29	94.52
	<u>7,705.42</u>	<u>7,118.32</u>
B. Employees' Remuneration & Benefits :		
Salaries, Wages and Bonus	1,990.58	1,947.15
Contribution to Provident and Other Funds	303.24	239.04
Staff Welfare Expenses	239.27	235.45
	<u>2,533.09</u>	<u>2,421.64</u>
C. Administrative, Selling and General Expenses :		
Rent, Hire charges and Compensation (Net)	91.14	51.01
Rates, Taxes and Licence Fees	31.67	75.90
Insurance (Net)	563.62	573.51
Freight and Forwarding (Net)	1,791.96	1,740.23
Research and Development Expenses	429.80	191.76
Repairs and Maintenance of :		
(i) Plant and Machinery	523.00	609.10
(ii) Buildings	230.96	244.71
(iii) Other Assets	427.57	309.55
	<u>1,181.53</u>	<u>1,163.36</u>
Advertisement Expenses	129.65	168.77
Additional Sales Tax / Turnover Tax	128.12	24.59
Travelling & Conveyance	589.34	524.70
Postage, Telegrams & Telephones	161.26	171.49
Lease Rentals	57.12	58.09
Commission on Sales	194.29	173.82
Donations	27.21	35.59
Legal and Professional Charges	626.56	454.09
(Refer Note No. 10 in Schedule 12 B)		

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SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd.)

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs. in Lakhs)
SCHEDULE 11 (Contd.)		
Auditors' Remuneration		
(i) Audit fees	20.06	18.56
(ii) Tax Audit fees	3.00	3.00
(iii) For Certification / Others	2.03	3.19
(iv) Reimbursement of out of pocket Expenses	0.30	0.81
	<u>25.39</u>	<u>25.56</u>
Miscellaneous Expenses	887.24	965.09
Loss on swap / Exchange rate fluctuations	199.60	87.44
	<u>7,115.50</u>	<u>6,485.00</u>
D. Managerial Remuneration :		
(a) To Managing Director & Joint Managing Directors :		
(i) Salary	128.00	157.75
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	36.86	45.43
(iii) Other Perquisites	32.27	43.79
	<u>197.13</u>	<u>246.97</u>
(b) To Whole Time Director :		
(i) Salary	89.28	41.73
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	4.16	4.15
(iii) Other perquisites	4.17	2.71
	<u>97.61</u>	<u>48.59</u>
(c) Commission to Managing Director & Joint Managing Directors	0.00	124.07
(d) Directors' sitting fees	1.48	1.13
	<u>296.22</u>	<u>420.76</u>
TOTAL	<u><u>17,650.23</u></u>	<u><u>16,445.72</u></u>

SCHEDULE 12:**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS :****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of presentation of Financial Statements**

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956. The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the assets to working condition for its intended use including interest and other incidental expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital Reserve Account.

Depreciation / Amortisation is provided as follows :

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.

In respect of subsidiaries :**— Garware Polyester International Ltd. (GPIL)**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each assets over its expected useful life, as follows :

- | | |
|----------------------------------|------------------------|
| Plant & Machinery | — 25% Reducing balance |
| Furniture, fitting and equipment | — 25% Reducing balance |

— Global Pet Films, Inc. (GPF)

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using Straight Line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost for organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on straight line basis over the economic useful life of 5 years.

3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

In respect of subsidiary Garware Polyester International Ltd, stock is valued at the lower of cost and net realisable value.

In respect of fellow subsidiary Global Pet Films Inc. inventories are stated at the lower of cost (determined by average cost method) or market value (net realizable) value.

5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting year. The net loss / gain, arising from such transaction, is charged to the relevant revenue heads in the Profit and Loss Account.

ANNUAL REPORT 2005-2006**SCHEDULE -12 (Contd.)**

- Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and / or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.
- In case of Garware Polyester International Ltd., monetary assets and liabilities denominated in foreign currencies are translated in to sterling at the rates of exchange ruling at the balance sheet date. The transactions in foreign currencies are recorded at the rate ruling at the date of transactions. All differences are taken to Profit and Loss accounts.

6. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.

7. Duties

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

8. Retirement Benefits

Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India. Liability for Leave Encashment is not provided as the company is compiling data for accrued liability.

9. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

In respect of the subsidiary GPIL, rentals payable under operating leases are charged against income on straight line basis over the lease term.

10. Contingent Liabilities

No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

11. Research and Development

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

12. Revenue Recognition**(a) Sales**

Sales are accounted for inclusive of excise duty and sales tax (wherever not charged separately), and are net of discounts and returns.

In respect of subsidiaries turnover represents amount receivable for goods and services net of VAT and trade discounts.

In respect of Global Pet Films Inc., revenues from product sales to customers are recognized when products are shipped to customers.

(b) Export Benefits

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

13. Taxation

- (a) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.
- (b) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.
- (c) In respect of subsidiary GPIL, the accounting policy in respect of deferred tax has been charged to reflect the requirements of FRS19-Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

SCHEDULE -12 (Contd.)**14. Deferred Revenue Expenditure**

Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.

15. Borrowing Cost

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

16. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

17. Purchases

In case of Global Pet Films Inc., purchases are recorded only when received in company warehouse.

18. Use of Estimates

In case of Global Pet Films Inc., the preparation of financial statements in conformity with generally accepted accounting principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

19. Accounts Receivable

In case of Global Pet Films Inc., the company carries receivable insurance on its accounts receivable.

B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT :-**1. The subsidiary companies considered in the consolidated financial statements are :-**

Name of the Company	Country of Incorporation	Percentage of voting Power	Financial Period
Direct Subsidiary Garware Polyester International Ltd.	United Kingdom	100%	Jan 05-Mar 06
Indirect Subsidiary Subsidiary of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100%	Jan05-Mar 06

2. Principles of Consolidation :

- (i) Consolidated financial statements are done in accordance with the AS-21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statement of Garware Polyester International Ltd. for the period ended 31st March, 2006 and necessary adjustments / additions that have been incorporated to give effect to all transaction occurred between the reporting period of the parent company.
- (ii) The financial statements of the company and the subsidiaries have been combined to the extent possible on a line-by-line basis, by adding together like items of assets, liabilities, income and expenses. All significant intra group balances and transactions have been eliminated on consolidation.
- (iii) In respect of subsidiaries, transactions of Profit and Loss account and the assets and items of the balance sheet have been translated into Indian Rupees at the closing exchange rate of respective currencies prevailing as at 31st March, 2006.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 4,163.73 Lakhs (Previous year Rs. 321.43 Lakhs) against which an advance of Rs. 818.32 Lakhs (Previous year Rs.11.25 Lakhs) has been paid.
4. The Company has given counter-guarantees for Rs. 442.29 Lakhs (Previous year Rs. 284.50 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
5. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs. 10,668.29 Lakhs (Previous year Rs. 8,812.14 Lakhs).

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SCHEDULE -12 (Contd.)

6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 4,868.73 Lakhs (Previous year Rs. 3,676.45 Lakhs).
7. Secured Loans:
- (i) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April, 2003 out of which Rs. 1,235.78 Lakhs was redeemed during the current year (Previous year Rs.1,442.71 Lakhs).
- (ii) Zero Coupon Bonds aggregating to Rs. 3,662.51 Lakhs are payable as under:
- a) Amount of Rs. 970.53 Lakhs is payable to Exim Bank in quarterly instalments till 1st January, 2010 and balance of Rs. 2,691.98 Lakhs is payable with premium of Rs. 2,288.18 Lakhs from 1st April, 2006.
- b) Amount of Rs. 594.44 Lakhs is payable in 2006-2007.
- (iii) Amount of Term Loans / Debentures, other than Zero Coupon Bond, repayable within one year is Rs. 5,387.97 Lakhs (Previous year Rs. 4,255.08 Lakhs).
- (iv) An amount of Rs. 385.37 Lakhs being sacrifice and premium settled with EXIM Bank has been written off during the year.
- (v) The amount of sacrifice mentioned in sanction letters of EXIM Bank and ICICI Bank Limited (Term Loan) has been negotiated and settled. The same in respect of Industrial Development Bank of India Limited, has been negotiated and Industrial Development Bank of India Limited has agreed in principle to settle the same vide its letter dated 27th August, 2005. As the Modifications / Amendments in the terms and conditions of sanction relating to sacrifice / premium is in progress, the sacrifice / premium of Rs. 224 Lakhs paid to Industrial Development Bank of India Limited is treated as advance and shown under Loans & Advances in Schedule 6.
8. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.

9. Contingent liability not provided for :

	2005 - 06 (Rs. in Lakhs)	2004 - 05 (Rs. in Lakhs)
(a) Disputed matters in appeal / contested in respect of :		
Income Tax	40.83	0.00
Excise Duty	7.21	0.00
Sales Tax	17.13	4.59
(b) Claims against the company not acknowledged as debts	8.51	9.76

10. Legal and Professional Charges include Rs. 3.55 Lakhs (Previous year Rs. 3.33 Lakhs) paid to some of the Partners of the Auditors for other services.
11. The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Ltd., for repayment of term loans, interest and other charges thereon to :-
- (i) IDBI for Rs. 13,159.33 Lakhs (Previous year Rs. 13,267.67 Lakhs).
- (ii) Mizuho Corporate Bank Limited for Rs. 3,400.84 Lakhs (Previous year Rs. 3,202.13 Lakhs).

Mizuho Corporate Bank Limited has filed a case in Bombay High Court with regards to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as Garware Chemicals Ltd. is registered with BIFR under Sick Industrial Companies (Special Provision) Act, 1985.

The company has reached final settlement with both the lender and the assignee of Mizuho Corporate Bank Ltd., by which the corporate guarantee gets restricted to Rs. 750 Lakhs.


SCHEDULE -12 (Contd.)
12. Break up of Interest and financial charges are as under :

	2005 - 06 (Rs. in Lakhs)	2004 - 05 (Rs. in Lakhs)
On Secured Loans	742.42	739.49
On Debentures	929.57	1,118.62
Other Interest (Net)	2,321.36	2,143.30
Financial Charges	555.53	449.45
	4,548.88	4,450.86

13. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 1,704.33 Lakhs (Previous year Rs. 2,417.89 Lakhs) against export effected during the year has been credited to Export Benefits earned account and which has been included in sales.

14. Segment Reporting :

(a) The company is only in one line of business namely - Polyester film.

(b) The Segment Revenue in the Geographical segment considered for disclosure are as follows :-

(i) Revenue within India includes sales to customers located within India.

(ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2005 - 06 (Rs. in Lakhs)			2004 - 05 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	25,480	27,364	52,844	28,310	27,132	55,442
Amount of Segment Assets by location of assets.(Net Value)	22,841	262	23,103	24,207	—	24,207

15. Related Party Disclosures :-

(a) List of Related Parties :

Associate Companies	: Garware Industries Limited and Garware Chemicals Limited.
Key Management Personnel	: 1) Shri S. B. Garware 2) Mrs. Monika Garware Modi 3) Ms. Sarita Garware 4) Miss Sonia S. Garware

(b) Transaction with Related Parties :

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
(i) Sale of Goods : Associate Company	2,501.65	2,545.80
(ii) Purchase of Materials / Processing Charges and Capital items : Associate Company	16,560.69	16,790.32
(iii) Services Received : Associate Company	1.71	13.13
(iv) Services Rendered : Associate Company	1,296.39	1,339.74
(v) Balances [Dr. / (Cr.)] Associate Company	2,447.78	153.15
(vi) Guarantee on behalf of Associate Company (Refer Note No.11 in Schedule 12 B)		
(vii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

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SCHEDULE -12 (Contd.)

16. Earning Per Share :

	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
Profit for the year	587.38	3,442.26
Add : Income Tax Refund of Prior years	41.71	0.00
Less : Deferred Tax	367.00	1,224.98
Less : Current Income Tax	86.00	283.61
Less : Fringe Benefit Tax	101.00	0.00
Less : Wealth Tax	3.92	3.15
Profit attributable to equity shareholders	71.17	1,930.52
No. of Equity Shares of Rs.10 each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	0.33	8.84

17. Deferred Tax :

- (a) Deferred Tax Liability of Rs. 367.00 Lakhs is provided in the current year, (Previous year Rs. 1,224.98 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March, 2006 are given here below.

Deferred Tax Assets	2005-06 (Rs. in Lakhs)	2004-05 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	2,942.02	3,511.62
Unabsorbed Business Losses, Depreciation & Capital Losses	3,904.80	4,771.68
Others	243.76	281.82
Deferred Tax Assets (i)	7,090.58	8,565.12
Less: Deferred Tax Liability :		
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961 (ii)	6,727.51	7,835.04
Deferred Tax Assets (Net) (i)-(ii)	363.07	730.08

18. In accordance with the Accounting Standard 28 (AS 28) issued by Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed a professional consultancy firm as the valuers to assess impairment of each Cash Generating Unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report there is no impairment to any of the asset as such no provision for impairment of assets is required to be made in the accounts.
19. Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit for the year.
20. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss Account and shown under administrative, selling and general expenses in appropriate heads.
21. The break up of Expenses capitalized and shown under Capital Work in Progress (Pending Allocation) as on 31.03.2006 is as under :

Particulars	(Rs. in Lakhs)
Salary / Wages	50.08
Interest	88.95
Bank / Financial Charges	13.33
Insurance Premium	10.51
Travelling Expenses	4.43
Others	2.36
Total	169.66

22. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	Year ended 31.03.2006 (Rs. in Lakhs)		Year ended 31.03.2005 (Rs. in Lakhs)	
A. Cash flow from operating activities :				
Net Profit before tax and extraordinary items	A	587.38		3,442.26
Add : Depreciation		3,042.38	3,104.90	
Interest expenses - Gross		4,548.88	4,450.86	
Loss on Exchange Rate Fluctuations		199.60	87.44	
Income Tax Prior period (Net) Refund		41.71	0.00	
Sub Total	B	7,832.57		7,643.20
Sub Total A + B	C	8,419.95		11,085.46
Less : Interest income		67.96	17.31	
Profit on Exchange Rate Fluctuations		0.00	195.28	
Profit on Sale of Investments		49.40	0.00	
Profit on Sale of Fixed Assets		3.90	4.46	
Dividend received / Income from Investment		16.59	41.39	
Sundry balances Written Back (Net)		99.08	22.70	
Rent		4.20	3.70	
Sub Total		241.13		284.84
Operating profit before working capital changes		8,178.82		10,800.62
Adjustments for :				
Transfer to foreign currency translation reserve		(49.96)		143.49
(Increase) / Decrease in trade / other receivable		(6,775.94)		1,027.97
(Increase) / Decrease in inventories		161.95		(2,031.87)
Increase / (Decrease) in trade / other payables		837.20		644.43
Cash generated from operations		2,352.07		10,584.64
Direct taxes refund / (paid) (Net)		(218.23)		(267.08)
Net cash inflow / (outflow) from operations		2,133.84		10,317.56
B. Cash flow from investing activities :				
Purchase of fixed assets		(2,619.79)		(1,699.20)
Purchases of Investment in Associate Company (Garware Chemicals Ltd.)		0.00		(3,567.00)
Sale of fixed assets		29.90		49.92
Interest received		67.96		17.31
Profit on Exchange Rate Fluctuations		0.00		195.28
Loss on Exchange Rate Fluctuations		(199.60)		(87.44)
Sale of Investments		75.95		0.00
Dividend received / Income from Investment		16.59		41.39
Rent		4.20		3.70
Net cash inflow / (outflow) from investing activities		(2,624.79)		(5,046.04)
C. Cash flow from financing activities :				
Interest / Financial Charges		(4,638.98)		(4,302.19)
Repayment of borrowings - Secured		2,646.86		(4,532.93)
Proceeds / (repayments) of borrowings - Unsecured		206.92		(267.30)
Cash credit accounts		2,488.89		4,407.35
Dividend paid		(212.05)		(221.20)
Dividend Tax Paid		(30.63)		(28.54)
Net cash inflow / (outflow) from financing activities		461.01		(4,944.81)
Net increase / (decrease) in cash and cash equivalents		(29.94)		326.71
Cash and cash equivalents as at opening				
Cash and bank balances		1,114.01		787.30
Cash and cash equivalents as at closing				
Cash and bank balances		1,084.07		1,114.01
		(29.94)		326.71

For and on behalf of the Board of Directors

 As per our report of even date
 For SHAH & CO.
 Chartered Accountants

 S. B. GARWARE
 Chairman &
 Managing Director

 A. B. BHALERAO
 Director - Technical

 B. MORADIAN
 Director

 INDULAL H. SHAH
 Partner

 S. CHAKRABORTY
 Company Secretary &
 General Manager (Legal)

Mumbai, 17th August, 2006

Mumbai, 17th August, 2006

GARWARE POLYESTER INTERNATIONAL LIMITED

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DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2006

The directors present their report and financial statements for the period ended 31 March 2006.

Principal activities and review of the business

The principal activity of the group continued to be that of distribution of industrial polyester film.

The results for the period and the financial position at the period end were considered satisfactory by the directors. They expect increased turnover and profitability in the foreseeable future.

Results and dividends

The results for the period are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2005:

Mr A B Bhagani
Mr S Garware
Ms S Garware
Mr B D Doshi

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2006	1 January 2005
Mr A B Bhagani	—	—
Mr S Garware	—	—
Ms S Garware	—	—
Mr B D Doshi	—	—

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that MCT Partnership be reappointed as auditors of the company will be put to the Annual General Meeting.

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Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Mr A B Bhagani
Director

1st August, 2006

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements of Garware Polyester International Limited for the period ended 31 March 2006 set out on pages 4 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the group and the company's affairs as at 31 March 2006 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

Chartered Accountants
Registered Auditors

1st August, 2006

1 Warner House
Harrovia Business Village
Bessborough Road
Harrow Middlesex HA1 3EX

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GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2006

	Notes	01.01.2005 to 31.03.2006 £	01.01.2004 to 31.12.2004 £
Turnover	2	10,222,886	5,883,738
Cost of sales		(9,212,394)	(5,241,748)
Gross profit		1,010,492	641,990
Selling and distribution costs		(222,374)	(126,379)
Administrative expenses		(850,237)	(664,057)
Other operating income		44,253	90,618
Operating loss	3	(17,866)	(57,828)
Other interest receivable and similar income	4	11,866	9,799
Loss on ordinary activities before taxation		(6,000)	(48,029)
Tax on loss on ordinary activities	5	102	(102)
Loss on ordinary activities after taxation	12	(5,898)	(48,131)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 MARCH 2006

	Notes	01.01.2005 to 31.03.2006 £	01.01.2004 to 31.12.2004 £
Loss for the financial period		(5,898)	(48,131)
Currency translation differences on foreign currency net investments		(20,879)	(22,175)
Total recognised gains and losses relating to the period		(26,777)	(70,306)

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GROUP BALANCE SHEET AS AT 31 MARCH 2006

	Notes	As at 31.03.2006 £	As at 31.12.2004 £
Fixed assets			
Tangible assets	6	20,097	5,157
Current assets			
Stock	8	1,645,134	863,514
Debtors	9	811,382	533,067
Cash at bank and in hand		806,314	839,988
		3,262,830	2,236,569
Creditors: amounts falling due within one year	10	(2,941,400)	(1,895,597)
Net current assets		321,430	340,972
Total assets less current liabilities		341,527	346,129
Capital and reserves			
Called up share capital	11	250,000	250,000
Other reserves	12	(20,879)	(22,175)
Profit and loss account	12	112,406	118,304
Shareholders' funds - equity interests	14	341,527	346,129

The financial statements were approved by the Board on 1st August 2006.

Mr A B Bhagani
Director

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COMPANY BALANCE SHEET AS AT 31 MARCH 2006

	Notes	As at 31.03.2006 £	As at 31.12.2004 £
Fixed assets			
Tangible assets	6	20,097	5,157
Investments	7	62,046	62,046
		82,143	67,203
Current assets			
Stock	8	294,932	216,576
Debtors	9	74,061	144,202
Cash at bank and in hand		433,435	791,737
		802,428	1,152,515
Creditors: amounts falling due within one year	10	(503,171)	(815,729)
Net current assets		299,257	336,786
Total assets less current liabilities		381,400	403,989
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	131,400	153,989
Shareholders' funds - equity interests	14	381,400	403,989

The financial statements were approved by the Board on 1st August 2006.

Mr A B Bhagani
Director

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GROUP CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2006

	2006 £	2004 £
Net cash (outflow)/inflow from operating activities	(31,070)	166,336
Returns on investments and servicing of finance		
Interest received	11,866	9,799
Net cash inflow for returns on investments and servicing of finance	11,866	9,799
Taxation	(1,690)	(16,581)
Capital expenditure		
Payments to acquire tangible assets	(29,508)	(2,691)
Net cash outflow for capital expenditure	(29,508)	(2,691)
Equity dividends paid	—	(25,000)
Net cash (outflow)/inflow before management of liquid resources and financing	(50,402)	131,863
(Decrease)/increase in cash in the period	(50,402)	131,863

GARWARE POLYESTER INTERNATIONAL LIMITED

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NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2006

1 Reconciliation of operating loss to net cash (outflow) / inflow from operating activities		2006	2004
		£	£
Operating loss		(17,866)	(57,828)
Depreciation of tangible assets		9,411	1,720
Loss on disposal of tangible assets		5,158	—
(Increase)/decrease in stocks		(781,820)	91,655
Increase in debtors		(276,825)	(281,110)
Increase/(decrease) in creditors within one year		1,029,177	421,374
Net effect of translation differences		1,295	(9,475)
Net cash (outflow)/inflow from operating activities		(31,070)	166,336

2 Analysis of net funds		2006	2004
1 January 2005	Cash flow	Other non-cash changes	31 March 2006
£	£	£	£
Net cash:			
Cash at bank and in hand	839,988	(33,674)	806,314
Bank overdrafts	—	(16,728)	(16,728)
Net funds	839,988	(50,402)	789,586

3 Reconciliation of net cash flow to movement in net funds		2006	2004
		£	£
(Decrease)/increase in cash in the period		(50,402)	131,863
Movement in net funds in the period		(50,402)	131,863
Opening net funds		839,988	708,125
Closing net funds		789,586	839,988

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006**1. Accounting policies****1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	Leasehold	Straight line over life of lease
Plant and machinery		25% Reducing balance
Fixtures, fittings and equipment		25% Reducing balance

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

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2 Turnover

Class of business	2006	2004
	£	£
Foreign sales	9,383,115	4,918,526
UK sales	839,771	965,212
	10,222,886	5,883,738

3 Operating loss

Operating loss is stated after charging:	2006	2004
	£	£
Depreciation of tangible assets	9,411	1,720
Operating lease rentals	105,877	60,777
Auditors' remuneration	5,300	4,700

4 Investment income

	2006	2004
	£	£
Bank interest	11,862	9,799
Other interest	4	—
	11,866	9,799

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5 Taxation

	2006	2004
	£	£
U.K. corporation tax	(1,690)	102
Adjustment for prior years	1,588	—
Current tax charge	(102)	102

Factors affecting the tax charge for the period

Loss on ordinary activities before taxation	(6,000)	(48,029)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	(1,140)	(9,126)

Effects of:

Depreciation add back	1,788	327
Capital allowances	(1,737)	(417)
Other tax adjustments	987	9,318
	1,038	9,228
Current tax charge	(102)	102

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6 Tangible fixed assets

Group	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2005	—	2,827	19,275	22,102
Exchange differences	—	—	760	760
Additions	9,100	—	20,408	29,508
Disposals	—	(2,827)	(11,930)	(14,757)
At 31 March 2006	9,100	—	28,513	37,613
Depreciation				
At 1 January 2005	—	1,923	15,022	16,945
Exchange differences	—	—	760	760
On disposals	—	(1,923)	(7,677)	(9,600)
Charge for the period	3,033	—	6,378	9,411
At 31 March 2006	3,033	—	14,483	17,516
Net book value				
At 31 March 2006	6,067	—	14,030	20,097
At 31 December 2004	—	904	4,253	5,157

**NOTES TO THE FINANCIAL STATEMENTS (Contd..)
FOR THE PERIOD ENDED 31 MARCH 2006**

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Company	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2005	—	2,827	11,930	14,757
Additions	9,100	—	20,408	29,508
Disposals	—	(2,827)	(11,930)	(14,757)
At 31 March 2006	9,100	—	20,408	29,508
Depreciation				
At 1 January 2005	—	1,923	7,677	9,600
On disposals	—	(1,923)	(7,677)	(9,600)
Charge for the year	3,033	—	6,378	9,411
At 31 March 2006	3,033	—	6,378	9,411
Net book value				
At 31 March 2006	6,067	—	14,030	20,097
At 31 December 2004	—	904	4,253	5,157

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7 Fixed asset investments	Shares in subsidiary undertaking
	£
Cost	
At 1 January 2005 and 31 March 2006	62,046

Holdings of more than 20%

The company holds more than 20% of the share capital of the following company

Company	Country of registration or incorporation	Shares held	%
		Class	
Subsidiary undertaking			
Global PET Films, Inc.	USA	Common stock	100

8 Stock

	Group		Company	
	2006	2004	2006	2004
	£	£	£	£
Finished goods and goods for resale	1,645,134	863,514	294,932	216,576

9 Debtors

	Group		Company	
	2006	2004	2006	2004
	£	£	£	£
Trade debtors	779,947	514,870	41,466	136,608
Corporation tax	1,690	—	1,690	—
Other debtors	17,129	6,843	22,131	3,750
Prepayments and accrued income	12,616	11,354	8,774	3,844
	811,382	533,067	74,061	144,202

10 Creditors: amounts falling due within one year

	Group		Company	
	2006	2004	2006	2004
	£	£	£	£
Bank overdraft	16,728	—	16,728	—
Trade creditors	4,464	8,282	4,464	8,282
Amounts owed to parent undertaking	2,885,634	1,820,023	464,877	762,806
Amounts owed to subsidiary undertakings	—	—	5,308	6,430
Corporation tax	—	102	—	102
Other taxes and social security costs	18,182	40,419	—	14,724
Directors' loan account	4,077	9,903	4,077	9,903
Other creditors	—	3,515	—	3,515
Accruals and deferred income	12,315	13,353	7,717	9,967
	2,941,400	1,895,597	503,171	815,729

11 Share capital

	2006	2004
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	250,000	250,000

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12 Statement of movements on profit and loss account

	Group Other reserves (see below)	Profit and loss account	Company Profit and loss account
	£	£	£
Balance at 1 January 2005	(22,175)	118,304	153,989
Retained profit/(loss) for the period	—	(5,898)	(22,589)
Foreign currency translation differences	(20,879)	—	—
Movement during the period	22,175	—	—
Balance at 31 March 2006	(20,879)	112,406	131,400

Other reserves

Balance at 1 January 2005	(22,175)
Reversal of 2004 translation difference	22,175
2006 translation difference	(20,879)
Balance at 31 March 2006	(20,879)

GARWARE POLYESTER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd..) FOR THE PERIOD ENDED 31 MARCH 2006**13 Profit of the parent company – Garware Polyester International Limited**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the period amounted to £22,589 [2004 - Profit £10,804]

14 Reconciliation of movements in shareholders' funds

	Group		Company	
	2006	2004	2006	2004
	£	£	£	£
(Loss)/profit for the financial period	(5,898)	(48,131)	(22,589)	10,804
Other recognised gains and losses	(20,879)	(22,175)	—	—
Movements on other reserves	22,175	12,700	—	—
Net depletion in shareholders' funds	(4,602)	(57,606)	(22,589)	10,804
Opening shareholders' funds	348,129	403,735	403,989	393,185
Closing shareholders' funds	<u>341,527</u>	<u>346,129</u>	<u>381,400</u>	<u>403,989</u>

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15 Financial commitments

At 31 March 2006 the group and the company had annual commitments under non-cancellable operating leases as follows :

	Group		Company	
	Land and buildings	Land and buildings	Land and buildings	Land and buildings
	2006	2004	2006	2004
	£	£	£	£
Expiry date :				
Between two and five years	<u>87,934</u>	<u>56,500</u>	<u>87,934</u>	<u>56,500</u>

16 Directors' emoluments

	2006	2004
	£	£
Emoluments for qualifying services	<u>105,000</u>	<u>92,000</u>

17 Employees**Number of employees**

The average monthly number of employees (including directors) during the year was :

	Group		Company	
	2006	2004	2006	2004
	Number	Number	Number	Number
Administration and management	6	6	4	4
Selling and distribution	2	2	1	1
	<u>8</u>	<u>8</u>	<u>5</u>	<u>5</u>
Employment costs	£	£	£	£
Wages and salaries	379,841	331,195	209,769	169,200
Social security costs	21,672	14,763	21,672	14,763
	<u>401,513</u>	<u>345,958</u>	<u>231,441</u>	<u>183,963</u>

18 Ultimate parent company and control

The ultimate parent company is Garware Polyester Limited, a company registered in India.

18

19 Related party transactions

The following related party transactions were undertaken in the ordinary course of business :

Related party	Relationship	2006	2004
		£	£
Purchase of goods and services:			
Garware Polyester Limited	Parent company	8,754,054	4,537,689
Bhagani & Co.	Common interest	26,500	27,600

Bhagani & Co. is controlled by Mr A B Bhagani, the director of the company. The amounts charged represent the provision of office accommodation, bookkeeping and accountancy charges.

The following amount was owed to related parties at the balance sheet date :

Related party	Relationship	2006	2004
		£	£
Garware Polyester Limited	Parent company	2,885,634	1,820,023

INDEPENDENT AUDITORS' REPORT

**The Board of Directors and Stockholders of
Global Pet Films, Inc.
Pembroke Pines, Florida, USA**

We have audited the accompanying balance sheets of **Global Pet Films, Inc.** as of March 31, 2006 and December 31, 2004, and the related statements of income, retained earnings, and cash flows for the fifteen months period ended March 31, 2006 and twelve months period ended December 31, 2004. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Global Pet Films, Inc.** as of March 31, 2006 and December 31, 2004, and the results of its operations and its cash flows for the fifteen months period ended March 31, 2006 and twelve months period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira
Certified Public Accountant
Homewood, Illinois, USA

June 20, 2006

BALANCE SHEET MARCH 31, 2006 AND DECEMBER 31, 2004

	As of March 31, 2006 \$	As of Dec. 31, 2004 \$
Assets		
Current Assets		
Cash in Bank – First American	28,642	12,563
Cash in Bank – Citibank – GPF – Chi	0	13,634
Cash in Bank – Citibank – GPF – M	419,096	61,754
Cash in Bank – Citibank – Sun M	0	10,334
Cash in Bank – Citibank – Sun Control	0	324
Cash in Bank – Citibank – Sun Control	0	(6,016)
Cash in Bank – First Am Maxrate	201,071	49
Accounts Receivable	1,294,194	738,608
Inventory – GPF	452,696	670,156
Inventory – Sun Control	934,572	396,980
Inventory – Miami	962,082	174,985
Prepaid Insurance	0	9,572
Prepaid Taxes	6,685	3,746
Prepaid Rent	0	1,100
Total Current Assets	4,299,038	2,087,789
Fixed Assets		
Office Equipment	14,102	14,102
Accumulated Depreciation	(14,102)	(14,102)
Other Assets		
Organization Cost	7,373	7,373
Rent Deposit – Miami	5,938	5,938
Accumulated Amortization	(7,373)	(7,373)
Total Other Assets	5,938	5,938
Total Assets	4,304,976	2,093,727
Liabilities & Equity		
Current Liabilities		
Accounts Payable - Trade GPF	1,129,667	945,629
Accounts Payable - Windows	3,082,430	1,084,228
Custom Duties Payable	45,677	45,677
FICA/Wh Tax Payable	0	3,206
State Withholding Payable	0	450
Federal Unemployment Payable	137	0
State Unemployment Payable	463	0
Accrued Expenses	8,000	6,500
Total Current Liabilities	4,266,394	2,085,690
Long Term Liabilities		
Equity		
Common Stock	100,000	100,000
Retained Earnings	(91,963)	17,067
Current Income (Loss)	30,545	(109,030)
Total Equity	38,582	8,037
Total Liabilities & Equity	4,304,976	2,093,727

See Accompanying Notes to Financial Statements

GLOBAL PET FILMS, INC.

INCOME STATEMENT FOR THE 15 MONTHS ENDED MARCH 31, 2006 AND 12 MONTHS ENDED DECEMBER 31, 2004

	15 Months Ended March 31, 2006	12 Months Ended Dec. 31, 2004
	\$	\$
Revenue		
Sales	15,135,248	7,863,634
Returns and Allowances	(380)	(1,131)
Total Revenue	<u>15,134,868</u>	<u>7,862,503</u>
Cost of Sales		
Purchases	13,356,514	6,036,531
Slitting Charges	13,948	0
Custom Duties & Clearance Fee	1,077,417	725,409
Freight	345,688	184,957
Warehouse Rent	227,562	174,569
Inventory Adjust (Begin & End)	(1,107,228)	(39,655)
Total Cost of Sales	<u>13,913,901</u>	<u>7,081,811</u>
Gross Profit	<u>1,220,967</u>	<u>780,692</u>
Operating Expenses		
Accounting & Auditing fees	24,200	19,800
Advertising Expense	252,009	123,380
Bank Charges	1,032	2,448
Credit Card Fees	112,654	34,630
Consulting Fees	0	67,938
Dues and Subscriptions	12,663	5,447
Insurance Expense	119,353	61,130
Legal Fees	24,371	17,991
Licenses and Fees	1,531	501
Miscellaneous Expense	664	5,940
Office Expense	97,721	96,283
Postage & Delivery	42,030	24,490
Rent - Office	17,713	17,084
Salaries and Wages	194,400	167,100
Taxes - Payroll	19,040	14,753
Taxes - Federal Income	0	2,303
Taxes - State Income	71	19,252
Telephone Expense	48,945	61,007
Travel & Entertainment Expense	223,666	147,482
Utilities	239	2,009
Total Expenses	<u>1,192,302</u>	<u>890,968</u>
Operating Income	<u>28,665</u>	<u>(110,276)</u>
Interest Income	1,880	1,246
Total Other Income	<u>1,880</u>	<u>1,246</u>
Net Income (Loss)	<u>30,545</u>	<u>(109,030)</u>

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS FOR THE 15 MONTHS PERIOD ENDED MARCH 31, 2006 AND 12 MONTHS PERIOD ENDED DECEMBER 31, 2004 INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS

	15 Months Ended March 31, 2006	12 Months Ended Dec. 31, 2004
	\$	\$
Cash Flow from Operating Activities		
Net Income (Loss)	30,545	(109,030)
Adjustments to Reconcile Cash Flow		
Depreciation		
Decrease (Increase) in Currents Assets		
Accounts Receivable - Trade	(555,586)	(348,447)
Inventory - GPF	217,460	35,166
Inventory - Sun Control	(537,592)	(84,151)
Inventory - Miami	(787,097)	9,330
Prepaid taxes	(2,939)	(14,418)
Prepaid Insurance	9,572	0
Prepaid rent	1,100	0
Increase (Decrease) in Current Liabilities		
Accounts Payable - Trade - GPF	184,058	(261,696)
Accounts Payable - Trade - Sun Control	1,998,202	895,210
Accounts Payable - Miami	0	(389,056)
Payroll Taxes Payable	(3,206)	(1,575)
State Withholding Payable	(450)	(380)
Federal Unemployment Tax Payable	137	0
State Unemployment Tax Payable	463	0
Accrued Expenses	1,500	(239,500)
Total Adjustments	<u>525,622</u>	<u>(399,517)</u>
Cash Provided (Used) by Operations	<u>556,167</u>	<u>(508,547)</u>
Cash Flow from Investing Activities		
Sales (Purchases) of Assets	0	0
Accumulated Amortization	0	0
Cash Provided (Used) by Investing	<u>0</u>	<u>0</u>
Cash Flow From Financing Activities		
Cash (Used) or provided by :		
Net Increase (Decrease) in Cash	<u>556,167</u>	<u>(508,547)</u>
Cash at Beginning of Period	<u>92,642</u>	<u>601,189</u>
Cash at End of Period	<u>648,809</u>	<u>92,642</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

(1) Description of Business

Global Pet Films, Inc. was incorporated on December 22, 1997 under the laws of State of Illinois, USA and is also registered with State of Florida, USA. The company is engaged in the business of supply and distribution of polyester and solar control films in USA. The company has its place of business at Pembroke Pines, Florida, USA.

(2) Significant Accounting Policies

The Significant accounting policies of Global Pet Films, Inc., which are summarized below, are consistent with accounting principles generally accepted in the United States of America and reflect practices appropriate to the business in which they operate.

(a) Cash and Cash equivalents

Cash and cash equivalents include money market instruments.

(b) Inventories

Inventories are stated at the lower of cost (determined by average cost method) or market (net realizable) value.

(c) Depreciation and Amortization

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using straight line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost of organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic useful life of 5 years.

(d) Revenue Recognition

Revenues from product sales to customers are recognized when products are shipped to customers.

(e) Purchases

Purchases are recorded in books only when received in company warehouse.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(3) Stockholder's Equity

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of March 31, 2006, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom company in consideration of \$99,999 and 1 share of capital stock has been issued to Ashok Bhagani in consideration of \$1.

(4) Accounts Receivable

The accounts receivable balance (Gross) as of March 31, 2006 was \$1,294,194. As of June 20, 2006 the Company has collected all of its accounts receivables. The Company carries Receivables Insurance on its accounts receivable.

(5) Accounts Payable

The Accounts payable balance of \$4,212,117 as of March 31, 2006 represents balance owed to Garware Polyester Ltd., India, for trade purchases.



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

FORTY-NINETH ANNUAL GENERAL MEETING ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I / We hereby record my / our presence at the **49th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Friday, the 29th September, 2006 at 11.30 a.m.

NAME OF THE SHAREHOLDER OR PROXY (IN BLOCK LETTERS)	REDG. FOLIO No.	DP-ID No.	CLIENT-ID No.

SIGNATURE OF THE SHAREHOLDER OR PROXY	
---------------------------------------	--



PROXY FORM



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

I / We of in the District of being a member / members of **Garware Polyester Limited** hereby appoint in the District of or failing him of in the district of as my / our proxy to attend and vote for me / us on my / our behalf at the **49th Annual General Meeting** of the Company to be held on Friday, the 29th September, 2006 at 11.30 a.m. at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 and at any adjournment thereof.

Signed this day of2006.

Signature

Revenue Stamp

Proxy No.	Regd. Folio No.	DP-ID No.	CLIENT ID No.	No. of Shares
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Note : This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.

