



GOETZE (INDIA) LIMITED

**51st Annual Report
2005-2006**

Contents



Board of Directors	2
Ten Year's Financial Review	3
Directors' Report	4
Annexure to Directors' Report	7
Corporate Governance	8
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Schedules 1 to 24 forming part of Balance Sheet and Profit & Loss Account	20
Statement regarding subsidiary companies pursuant to Section 212 of the Companies Act, 1956	40
Cash Flow Statement	41
SUBSIDIARY	
Goetze TP (India) Limited	42
Satara Rubber & Chemicals Limited	60
CONSOLIDATED FINANCIAL STATEMENTS	69



GOETZE (INDIA) LIMITED

BOARD OF DIRECTORS

Chairman & Director

Mr. Anil Nanda

Managing Director & CEO

Mr. Arun Anand

Directors

Dr. Brian L. Ruddy

Mr. Charles B. Grant

Mr. Charles Polzin

Mr. M.M. Sabharwal

Mr. Mukul Gupta

Mr. Rainer Jueckstock
(Alternate Mr. Jochen Stechow)

Dr. Ramesh C. Vaish

Financial Controller and Company Secretary

Mr. Rajan Luthra

Auditors

M/s. S.R. Batliboi & Co.

REGISTRAR AND SHARE TRANSFER AGENTS

Alankit Assignments Limited
Corporate Office, Alankit House
2E/21, Jhandewalan Extn.
New Delhi 110 055
Ph. No. 41540060 - 64
Email: rta@alankit.com

REGISTERED OFFICE

A-26/3 Mohan Co-
operative Industrial Estate,
New Delhi 110 044

WORKS

1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, Bangalore (Karnataka)
3. SPL 1240-44, RIICO Industrial Area,
Phase-I Extn., Bhiwadi (Rajasthan)
4. Village Roondh Dhooni Nath,
Tehsil Ramgarh,
Dist. Alwar (Rajasthan)

BANKERS

ABN Amro Bank NV
Standard Chartered Bank
Deutsche Bank AG
UTI Bank
HDFC Bank Ltd.
State Bank of India
State Bank of Patiala
Centurian Bank of Punjab


TEN YEARS' FINANCIAL REVIEW

	2005-06	2004-05	2003-04	2002-03 (9 months)	2001-02 (15 months)	2000-01	1999-2000	1998-99	1997-98	1996-97
										(Rs. In Lacs)
Total Income	53291.21	51990.47	46963.59	26407.26	24684.39	18653.65	20499.69	17656.22	18548.38	25693.77
Depreciation	3417.02	2674.05	2401.28	1464.18	1815.67	1282.28	1189.81	1089.34	882.00	824.67
Profit before Tax	(3787.81)	3251.73	2405.95	1319.90	1317.42	1000.53	1006.46	306.53	2103.00	2706.41
Taxation (adjmt for excess provision for prev yr written back if any)	810.74	1048.44	852.55	301.17	178.88	–	–	–	230.00	525.00
Profit after Tax	(5055.55)	2203.29	1553.40	1018.73	1138.54	1000.53	1006.46	306.53	1873.00	2181.41
Dividend	–	1011.50	782.74	532.87	252.88	632.19	632.19	505.75	1011.50	1011.50
Dividend Tax	–	132.19	100.29	68.27	–	64.48	69.54	55.63	202.30	–
Retained Profit/(Loss)	(5055.55)	1059.60	670.37	417.59	885.66	303.86	304.73	(254.85)	659.20	1169.91

Assets Liabilities & Net Worth

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
Fixed Assets	32873.58	33833.21	31389.59	30809.13	18792.29	18852.30	16937.42	17640.85	17542.59	16123.15
Investments	2243.40	2925.26	3547.75	3594.43	3613.65	2653.96	4462.16	4542.24	3672.16	3798.93
Indebtedness	38960.71	30167.68	28113.39	27579.74	17754.11	13377.01	10183.33	11740.73	10747.85	8697.13
Share Capital	2528.75	2528.75	2528.75	3528.75	2528.75	2528.75	2528.75	2528.75	2528.75	2528.75
Reserves	7592.65	13328.14	12393.68	11867.08	11528.19	13108.78	13955.20	13818.65	14256.39	13807.99
Net Worth	10121.40	15856.89	14922.43	15395.83	14056.94	15637.53	16483.95	16347.40	16785.14	16336.74

Significant Ratios

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
A. Measurement of Investment										
Percentage of Return on Investment (annualised)	(1.18)	13.28	12.92	12.99	10.77	10.70	9.96	6.27	13.46	18.57
Percentage of Return on Equity (annualised)	(29.16)	21.13	15.87	11.95	7.10	6.23	6.13	1.85	12.70	17.09
Dividend Cover (Ratio)	–	2.18	1.98	1.91	4.50	1.58	1.59	0.61	1.85	2.16
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	(7.39)	6.49	5.33	5.23	5.56	5.58	5.06	1.81	12.41	11.20
Percentage of Profit after Tax to Sales	(9.87)	4.40	3.44	4.03	4.81	5.58	5.06	1.81	11.05	9.03
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	260.63	160.85	122.41	102.16	56.92	39.53	27.58	34.34	28.46	18.60
Current Ratio	1.18	0.85	0.82	1.01	1.40	1.16	1.19	1.70	1.68	1.65
D. General										
Dividend per Equity Share (Rs.)	–	4.00	3.00	2.00	1.00	2.50	2.50	2.00	4.00	4.00
Earnings per Equity Share (Rs.) (annualised)	(19.99)	8.71	6.04	5.21	3.60	3.96	3.98	1.21	7.41	8.63
Book Value per Equity Share (Rs.)	40.03	62.71	59.01	56.93	55.59	61.84	65.19	64.65	66.38	64.60



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their 51st Annual Report and the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rs. in Million)

	For the year ended 31.03.2006	For the year ended 31.03.2005
Total Income:		
Gross Sales	5123.63	4983.52
Deduct: Excise Duty	<u>668.92</u>	<u>655.42</u>
	4454.71	4328.10
Business and other Income	<u>205.49</u>	<u>189.45</u>
	4660.20	4517.55
Profit before Depreciation, Amortisation, Financial expenses and Prior Period Items	293.18	871.97
Deduct:		
Depreciation and Amortisation	341.70	267.41
Finance Charges	330.26	279.40
	(378.78)	325.16
Profit/(Loss) before Tax and Prior Period Items	(378.78)	325.16
Provision for tax		
- Current	—	24.50
- Deferred	43.08	80.64
- Fringe Benefit	15.00	—
Provision of Income tax for previous years	22.99	(0.30)
	(459.85)	220.32
Net Profit/(Loss) after Tax	(459.85)	220.32
Prior Period Items	45.70	—
Surplus brought forward	253.16	226.37
Transfer from Debenture Redemption Reserve	—	20.83
	(252.39)	467.52
	252.39	467.52
Appropriations :		
Proposed Dividend - Equity	—	101.15
Tax on Dividend	—	13.22
General Reserve	—	100.00
Surplus/(Loss) carried to Balance Sheet	(252.39)	253.15
	252.39	467.52
Adjusted Against General Reserve	(205.97)	—
(Loss)/Surplus carried to balance sheet	(46.42)	—

The Current year has been one of the most significant years in history of the Company. In May 2006 Federal Mogul Corporation which was holding 25.46% of equity share capital of the Company has increased its stake through an inter-se promoter transfer by purchasing further 24.64% of equity share capital of the Company from Joint Investments Pvt. Ltd. With this Federal Mogul's stake in the Company has increased to 50.10%, thereby making it the majority shareholder and in control over the Company.

Federal Mogul Corporation has been associated with the Company as a promoter and as a technical partner for Rings and Sintered Parts since inception and for Pistons since the year 2004. Federal Mogul is already an established brand in the international market in terms of being one of the largest manufacturers of automotive Components. With Federal Mogul Corporation becoming major shareholder, we expect their valuable support in all spheres of business viz. economies of scale on purchasing, the best practices of production, quality control, technology, environment, health and safety.

Consequent to the above developments your Company is in the process of changing its name from Goetze (India) Limited to Federal-Mogul Goetze

(India) Limited which was approved by the members through a special resolution in the Extra-Ordinary General Meeting held on 16th June 2006. The new name will better identify the company with Federal Mogul, which will benefit the Company in its business, as customers will value deal with the Global player.

Operations

In the Financial Year 2005-06, the Company achieved gross sales of Rs. 5123.6 million as compared to 4983.5 million for the Financial Year 2004-05. The Company however reported a loss of Rs. 505.5 million in the year under review as compared to the profit after tax of Rs. 220.3 million in the previous year.

The Company towards better presentation of accounts changed some of its accounting policies/practices, which has resulted into higher losses. Some of the major changes are:

(a) During the year the Company has recorded the sales on delivery to customer as against dispatch of sales. Due to this the gross sales are lower by Rs. 389.94 million, loss is higher by Rs. 95.58 million and inventory is higher by Rs. 294.36 million.

(b) The Company has impaired certain assets, investments and inventories to bring down its carrying cost. Accordingly, the provision for impairment of Rs. 163.3 million has been charged to the Profit and Loss Account.

(c) The Company has charged off fully the terminal benefits, commission upfront and syndication fees on term loans as against amortizing over a period of 60 months and during the period of the loan respectively. In the year under report the opening balance was Rs. 208.80 million and expenses incurred during the year were Rs. 88.80 million, in all totaling to Rs. 297.60 million were written off.

(d) The Company has charged off superannuation payable to employees based on actuarial valuation for the prior years. This has impacted the current year loss by Rs. 33.20 million.

The Company expects to achieve profits in the next year, which will be utilized to set off its losses reported in this year.

Auditors' Comments

The Auditors have made certain comments in their Audit Report, concerning the Accounts of the Company. The Management puts forth its



DIRECTORS' REPORT (Contd.)

explanations as below:

1. The Company has paid Director's remuneration to whole time directors, which is in excess of permissible limit for remuneration under Schedule XIII of the Companies Act, 1956.

The Company is in the process of applying for Central Government's approval for the Managerial Remuneration and both the Directors have given written confirmations to the Company that in case the Company is not able to obtain the approvals then the Directors will reimburse the Company of all the remuneration paid, which is in excess of the prescribed limits.

2. There are certain items of Plant and Machinery and certain items of furniture at one of the facilities of the Company where the records of fixed assets are maintained for group of similar assets and not for each individual asset.

The Company had acquired those assets from Escorts Limited around 20 years back and therefore no separate records are available for the same. However the cost record of the block of those assets is available and has already been seen by the auditors.

3. On physical verification of inventory certain material discrepancies were identified and therefore the procedures of physical verification of inventories need further strengthening.

The procedures of physical verification of inventory will be strengthened and the suggestions of the auditors will be implemented.

4. Interest free loan of Rs. 470.95 lacs has been given to a Company, which in the opinion of the Auditors is prejudicial to the interests of the Company.

The Company has given the said loan to Satara Rubber and Chemicals Limited, the wholly owned subsidiary of the Company, in respect of the property owned by Satara which is used by Goetze as its office premises. Therefore, the Management is of the view that such loan is not prejudicial to the interests of the Company.

5. There were certain instances, which came to the notice of the Statutory Auditors on the weakness in the internal control systems like there was purchase of certain fixed assets by the Company without inviting quotations, which in their opinion is prejudicial to the interests of the Company.

The Company had purchased certain special purpose machines with some technical specifications for which comparable quotations are not available. Secondly, the Company is inclined to obtain certain machines only from specific vendors due to the proven technical capabilities of their products in the past and also to keep the spare parts of those machines at the minimum as some parts are common for certain machines if ordered from the same vendor.

6. The scope and coverage of the internal auditing can be enlarged to be commensurate with the size and nature of the Company's business.

The Management is taking initiatives to strengthen the Company's internal control procedures in concurrence with the Statutory and internal auditors of the Company.

Other comments of the Auditors are self-explanatory in their report and are further elaborated in the Notes to Accounts. The Directors' Report should be read in conjunction with the Auditors' report and Notes to Accounts annexed hereinafter.

MANAGEMENT DISCUSSION AND ANALYSIS:

(a) Industry structures and developments

The Indian Automotive industry is showing a robust growth on the back of strong performance by OEM's in the domestic & overseas markets. The steady improvement in the quality and the aesthetics of the Indian automobiles has secured them a good footprint in the overseas market. The challenges of course are on component manufacturers to reduce costs and improve quality. In spite of the steep increase in fuel prices and raw material costs, the industry is not showing signs of slowing down. This augurs very well for the future as it underlines strong fundamentals in the economy, which is driving demand. Your company has kept abreast with the latest technologies to offer the customers contemporary solutions for meeting increasingly stringent emission norms.

(b) Opportunities

With the introduction of euro III norms in larger number of cities the number of piston and ring producers who can technically address this requirement will get reduced. Goetze having the support and contemporary technology from Federal Mogul Group, who are also the market leaders in manufacturing world class automotive components, will allow the Company to increase its market share in the coming years.

The enormous growth in the personal vehicle segment that is, in two wheelers and passenger cars, provides growth opportunity for the products of the Company.

As the Company is progressing towards becoming Globally competitive, it does stand good chance in the overseas market as and when the opportunity accrues. The superior technology and high product quality of Goetze gives it an edge over other Global players and its mounting presence in the domestic market will support its expansion in overseas market as well.

(c) Threats

The steep increases in the input cost particularly metal and surging oil prices can dampen growth prospects in terms of value. The Company might not be able to recover such increase in the input costs from the customers in order to remain competitive in terms of prices, which will squeeze the profit margins. The Company has to face up to these challenges and reduce operating costs and increase efficiencies to sustain the growth rates.

Further increasing global competition by component manufacturers outside India due to Free Trade Agreements and continuous drop in customs tariffs may have an adverse impact on the domestic auto component industry.

(d) Segment wise or product wise performance

The Company showed a negative performance in the aftermarket segment due to lower overhauling of automobiles and consumers preferring new automobiles in replacement of old models. However the sluggish sales in aftermarket were neutralized by higher sales in the OEM segment.

(e) Outlook

The future of the Company has enormous potential considering the growth in the Indian economy as a whole coupled with the growth in the automobile industry. Further the new avenues in the export market have furthered the horizons for Goetze.

(f) Risks and concern

The Company is exposed to the following risks however the Company has been taking appropriate measures to mitigate these risks on a continuous basis.

(i) **Input Costs:** Due to the regular increase in the prices of raw materials like aluminium, lubricants etc., the overall input costs are increasing. The metal costs are regulated by the London Metal Exchange and no hedging is available on these fluctuations in the prices. This will affect the overall profitability of the Company as it is difficult to recover such costs from the customers completely.

(ii) **Financing risks:** Like all Auto Component Industries, the Company too requires significant amount of capital to fund its capital expenditure and working capital. Considering the liquidity crunch in the market, the interest costs might further increase which will affect our margins.

(iii) **Risks from Spurious Products:** The Company is facing risk associated with sale of spurious products sold under the Company's brand name. It may have adverse effect on the credibility of the Company's products thereby damaging the goodwill of the Company and also invading its market share.

(g) Adequacy of Internal Control System

The Company's internal control system aims at the protection of Company's resources, efficiency of operations, checking cost structure, compliance with the legal obligations and Company's policies and procedures. The internal audit is a comprehensive function, which covers the review of internal control systems in all the plants and depots of the Company in a phased manner. A report on the same is placed before the Audit Committee by the internal auditors on periodical basis. The Committee gives its expert comments on the improvement of Company's functioning based on such reports. Based on the recommendation of the Statutory Auditors, the Company is in the process of further strengthening its internal control procedures to be commensurate with the size and nature of its business.

Rights Issue

In order to improve the financial ratios of the Company, your Directors propose to issue shares on-Rights basis upto the value of Rs. 1000 million. The proceeds of the issue will be utilised to reduce the borrowings of the Company. The pricing and timing of the issue will be decided in consultation with Merchant Bankers.

Change of Accounting Year

In order to align the accounting year of the Company with the Federal Mogul's reporting system, the Board proposes to change the accounting year of the Company from 31st March ending to 31st December ending. Therefore the current accounting year of the Company would be for nine months.

Solvent Oil Extraction Business

The Plant and Machinery of the Solvent Oil Extraction plant of the Company has been non-operational since long. The Company had provided a diminution in value of these assets by Rs. 25 million in the previous year. In the year under review the Company has completely written off the value of these assets in its books.

Subsidiary Companies

Goetze TP [India] Limited

In the Financial Year 2005-06, the Company



DIRECTORS' REPORT (Contd.)

has achieved total Income of Rs. 569.32 million, showing an increase by 21% as compared to the previous year. The Company recorded a 6.3% growth in the profit before tax. In view of the profitability the Board has recommended a Dividend of 6% on the Cumulative Redeemable Preference Shares of the Company, which will absorb a sum of Rs. 6.84 million [including dividend tax of Rs. 0.84 million].

Satara Rubber and Chemicals Limited

The Company showed a total loss of Rs. 8.87 million as compared to Rs. 3.39 million in the previous year. The losses are mainly due to high interest cost on the loan taken by the Company and depreciation of assets.

Statement pursuant to Section 212 of the Companies Act, 1956 as also the annual accounts of the subsidiaries form a part of the Company's Annual Report.

Consolidated Financial Statements

In compliance with Clause 32 and Clause 50 of the Listing Agreements with the Stock Exchanges, and as per the Accounting Standard on Consolidated Financial Statements (AS 21) issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements along with the Auditors' Report have been annexed with this report.

Directors' Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of annual accounts the applicable accounting standards have been followed and that there have been no material departures;
- The Directors have selected such accounting policies and applied them consistently, except to the extent of deviations required for the better presentation of the accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the loss of the Company for the year ended on that date;
- 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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts of the Company on a going concern basis.

Directors

During the current year there had been a number of changes in the Directorships of the

Company. Mr. Anil Nanda, resigned as the Managing Director of the Company. However he continues to be a Director and Chairman of the Board. The Directors place on record their appreciation towards Mr. Nanda for having steered the Company from a turbulent period to the present highly sophisticated and progressive enterprise.

After a long association with the Company Mr. L.M. Thapar and Mr. Nikhil Nanda resigned from the Board of Directors with effect from 26th July 2005 and 23rd September 2005 respectively and Mr. Rajen A. Kilachand, Mr. Chakor L. Doshi and Dr. Surinder Kapur resigned with effect from 12th May 2006. The Directors place on record gratitude for their initiatives, valuable guidance and contribution to the success of the Company.

In the casual vacancy caused by the resignation of Mr. Chakor L. Doshi, Mr. Rajen A. Kilachand and Dr. Surinder Kapur, Mr. Charles Polzin, Mr. Charles B. Grant and Mr. Mukul Gupta have been respectively inducted on the Board with effect from 12th May 2006.

Mr. Charles B. Grant is presently associated with Federal-Mogul Corporation, USA as Vice President, Corporate Development and Strategic Planning. He is responsible for Mergers and Acquisitions, Strategic Alliances and Corporate Strategic Planning in Federal-Mogul.

Mr. Charled Polzin is the Associate General Council, Federal-Mogul Corporation, USA. Mr. Charles Polzin has a rich experience in legal affairs and had been associated with Federal-Mogul since the year 2000. In his capacity he deals with acquisitions, divestitures, joint ventures, contract negotiation, litigation and insurance issues.

Mr. Mukul Gupta is a Tax consultant and has been practicing in Indirect Taxation since long and has a rich experience in Sales Tax, VAT, Work Contracts Tax, Service Tax and other allied fields. He is also a member of the National Tax Advocates Forum and an Adviser to All India Manufacturers Organization U.P. Chapter.

In accordance with Article 109 of the Articles of Association of the Company Dr. Brian L. Ruddy, Dr. Ramesh C. Vaish and Mr. Mukul Gupta, Directors, retire by rotation. All of them offer themselves for re-election.

Public Deposits

The Company has not invited any fresh deposits or renewed the existing ones in the financial year 2005-06. The Unpaid Deposits in the books of the Company as on 31st March 2006 stand at Rs. 1.83 million out of this Rs. 0.07 million have been paid off as on date.

Auditors

M/s S.N. Dhawan and Co., Chartered Accountants have resigned from their office with effect from 12th May 2006 and in the casual vacancy M/s S.R. Batliboi & Co. were appointed as the Statutory

Auditors to undertake the audit work for the financial year 2005-06. Their appointment was confirmed by the Members at the Extra-ordinary General Meeting held on 16th June 2006.

M/s. S.R. Batliboi & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment for the year 2006-07. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

Human Resources

The Company has always been inclined towards creating an environment which gives enormous opportunity to its employees for growth and sustenance and to provide a competitive edge to them to face challenges within and also externally. Your Company continued its efforts in this direction in the year under review as well.

Safety, Health and Environment Protection

The Company sustained its initiatives to maintain a pollution free environment by elimination of waste, optimum utilization of power and preventive maintenance of equipments and machineries to keep them in good condition. Safety and health of the people working in and around the manufacturing facilities has always been the main emphasis of the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

Particulars of Employees

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 are given as an Annexure to this report.

Acknowledgement

Your Directors take this opportunity to express their sincere appreciation for the assistance and co-operation received from the financial institutions, Banks, Government Authorities, Shareholders, Customers, Dealers, Vendors, Unions, Promoters and all other business associates during the year under review. The Directors also wish to place on record their deep sense of gratitude for the committed services of the Executives, staff and workers of the Company.

For and on behalf of the Board

Arun Anand
Managing Director & CEO

M.M. Sabharwal
Director

30th June 2006

**ANNEXURE TO THE DIRECTORS' REPORT**

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

A. CONSERVATION OF ENERGY**Energy conservation measures**

The Company has always been inclined towards conservation of energy for which the following major steps have been taken in the year 2005-06.

1. Installation of additional capacitors to improve system power factor.
2. Redesigning of Furnace Shell, Refractory and Heating Element to make it energy efficient by minimizing heat losses.
3. Installation of solenoid valves on more machines to stop the supply of compressed air when the machines are not in operation.
4. Relayout of the equipment in Piston Foundry to achieve faster off take and replenishment of Molten Metal in holding furnaces to further reduce the specific energy consumption for casting operations.

Additional Investment and Proposals for reduction in Energy Consumption

1. Installation of automatic power factor controllers.
2. Installation of energy efficient cooling tower pumps and repair of cooling tower to achieve energy savings.
3. Installation of recuperators for all oil fired furnaces to save fuel.
4. Installation of energy management system for complete power distribution

Impact of the above measures

The above proposals will result in energy savings thereby leading to overall reduction in cost of production of goods

B. TECHNOLOGY ABSORPTION**Research & Development (R&D)****Specific areas in which the R & D was carried out by the Company**

1. Development of new generation piston assembly to meet Euro IV complaint application
2. Absorption and implementation of Horizontal casting technique and salt core manufacturing in-house

Benefits derived as a result of the above R & D – The above R & D initiatives has resulted in following benefits to the Company.

1. Up-gradation of technology, consistent and improved quality of product, cost reduction and product enrichment.
2. The Company was able to implement new steel nitrided oil rings, which reduces oil consumption in vehicles thereby benefiting the end users.
3. CKS rings have been successfully implemented in mass production and also helped as import substitution for customers.

Future plan of action

The Company is making continuous efforts to enhance its R&D facilities at all the Plants. In addition, initiatives are also being taken to improve the testing facilities. For this purpose additional test cells are being commissioned to take up the increased testing activity required. Analysis software is also being implemented to validate design variations in order to provide optimum performing components to the customers.

Expenditure on R & D

Capital : Nil
 Recurring: Rs. 5.38 million
 Total : Rs. 5.38 million
 Total R&D Expenditure as a percentage of total turnover: 0.94%

Technology absorption, adaptation and innovation**1. Technology absorption measures taken by the Company and benefits there from**

Continuous upgradation of the technical capabilities to global standards for existing manufacturing processes has led to improvement in quality of the products, increase in throughput, reduction in manpower, traceability of product, manufacture of new range of products and import substitution.

2. Import of Technology

Technology for	Imported from	Year	Technology absorption
Technical support for the manufacture of Pistons, Rings and Sintered Products	Teikoku Piston Ring Co. Ltd., Japan for Steel Piston Rings and Federal Mogul for all other products	2005-06	Flow of technology and absorption is on a continuous basis in the form of technological upgrades and for development of new products.

C. FOREIGN EXCHANGE EARNING AND OUTGO

1. **Exports:** The Company made exports worth Rs. 288.76 million in the year under review as compared to Rs. 267.27 million for the previous year. The decline in the sales was mainly on account of low trading of leather products. The export market for the auto component industry is growing at a fast pace and the Company's products being technically competitive will be able to create a niche in the overseas market as well. The Company has already initiated the process to venture with full zest in the exports market.
2. Foreign Exchange earned Rs. 288.76 million
 Foreign Exchange utilised Rs. 546.70 million

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2006.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Last employment Held
A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 per annum.								
1	NANDA ANIL	54	Sr. Cambridge	34	01.07.1981	Chairman & Managing Director* Overall management of the Company	1,31,78,796/-	Intercontinent (Travancore) Pvt. Ltd. Manager
2	ANAND ARUN	49	B.A., Eco (Hons) FCA	28	26.04.1982	Executive Director** Incharge of the day to day management of the Company.	47,87,707/-	Escorts Limited Senior Divisional Manager
B. Employed for a part of the year and in receipt of remuneration not less than Rs. 200,000/- per month							Nil	

* Resigned as Managing Director with effect from 12th May 2006 and now continues as Chairman & Director.

** Redesignated as Managing Director and CEO with effect from 16th June 2006.

Notes: 1. Remuneration includes salary, leave pay, commission, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
 2. The company has made application to the Central Government for the approval of the above Managerial Remuneration paid in excess of Section 198, 309 and Schedule XIII of the Companies Act, 1956.
 3. All appointments are contractual.



CORPORATE GOVERNANCE

1. PHILOSOPHY

Goetze's philosophy of Corporate Governance derives its path from the belief that Company's business strategy and its long-term business plans should have strong customer focus and aim at the welfare of its all stakeholders. It has always been an endeavour for Goetze to remain committed to the principle of accountability, integrity, transparency, responsibility and fairness in all its operations.

The composition of the Board of the Company is an appropriate mix of executive and independent directors with a rich experience in related sectors for providing strategic guidance to the Company. The Board ensures good corporate governance in practice and spirit.

2. BOARD OF DIRECTORS

a) Composition: The Board of Directors of the Company presently comprises of 9 Directors, which consists of 8 Non-Executive Directors. Moreover 3 of the Non-Executive Directors are Independent Directors. The Chairman of the Company is Non-Executive and one third of the Board comprises of Independent Directors.

b) Details of Board Meetings held during the financial year 2005-06

Date of Meeting	Board Strength	No. of Directors present
28 th May, 2005	11	7
26 th July, 2005	11	7
31 st October, 2005	9	5
30 th January, 2006	9	4

c) Information as required under clause 49(vi) of the Listing Agreement in respect of Directors being re-appointed forms part of the Notice of the ensuing Annual General Meeting.

d) Attendance at Board Meetings and last AGM and details of memberships of Directors in other Boards and Board Committees:

Name of the Director	Category	Financial Year 2005-06 Attendance at		(As on date)		
		Board Meeting	Last AGM 23rd Sept. 2005	Number of Directorships of other Indian Public Limited Companies (Note1)	Committee Memberships (Note2)	
					Member	Chairman
Mr. Anil Nanda @	CMD	4	Yes	6	Nil	Nil
Mr. Arun Anand \$	ED	4	Yes	3	1	Nil
Dr. Brian L. Ruddy	NED	2	No	3	Nil	Nil
Mr. Chakor L. Doshi (upto 12.05.06)	NEID	2	No	NA	NA	NA
Mr. L. M. Thapar (upto 26.07.05)	NEID	Nil	No	NA	NA	NA
Mr. M. M. Sabharwal	NEID	4	Yes	1	2	2
Mr. Nikhil Nanda (upto 23.09.05)	NED	Nil	No	NA	NA	NA
Mr. Rainer Jueckstock	NED	1	No	Nil	Nil	Nil
Mr. Rajen A.Kilachand (upto 12.05.06)	NEID	Nil	No	NA	NA	NA
Dr. Ramesh C. Vaish	NEID	3	Yes	6	4	Nil
Dr. Surinder Kapur (upto 12.05.06)	NEID	2	No	NA	NA	NA
Mr. Charles Polzin (from 12.05.06)	NED	NA	NA	NA	NA	NA
Mr. Charles B. Grant (from 12.05.06)	NED	NA	NA	NA	1	NA
Mr. Mukul Gupta (from 12.05.06)	NEID	NA	NA	NA	1	NA
Mr. Jochen Stechow	AD	1	Yes	Nil	Nil	Nil

@ Mr. Anil Nanda has resigned from Managing Directorship from 12th May, 2006 & continues as Chairman & Non-Executive Director.

\$ Mr. Arun Anand was appointed as Managing Director & CEO in the EGM held on 16.06.2006.

CMD: Chairman and Managing Director

NEID: Non Executive Independent Director

NED: Non-Executive Director

AD: Alternate Director

ED: Executive Director

Note1: The above excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

Note2: Includes only Audit and Shareholders/Investor Grievance committee in all Public Limited Companies.

Secretarial Standards relating to Meetings

The Company has endeavoured to meet and conform to most of the requirements of Secretarial Standards - SS-1 relating to Board and Board Committee Meetings and SS-2 relating to General Meetings prescribed by The Institute of Company Secretaries of India (ICSI). These Standards are so far only recommendatory.

**3. AUDIT COMMITTEE****a) Composition and Terms of Reference**

During the year 2005-06, the Audit Committee comprised of four Independent Non-Executive Directors & one Non-Executive Director viz, Mr. M. M. Sabharwal (Chairman), Dr. Ramesh C. Vaish, Mr. Rajen A. Kilachand, Dr. Surinder Kapur (Independent Non-Executive Directors) and Mr. Rainer Jueckstock (Non-Executive Director). Dr. Ramesh C. Vaish has expertise in Finance, Accounts and Taxation, whereas the other members of the Audit Committee also have good exposure to finance as well as general management.

On 12th May, 2006, the Audit Committee was reconstituted and at present it comprises of three Independent Non-Executive Directors and one Non-Executive Director viz. Mr. M. M. Sabharwal (Chairman), Dr. Ramesh C. Vaish, Mr. Mukul Gupta (Independent Non-Executive Directors) and Mr. Charles B. Grant (Non-Executive Director).

The current terms of reference of the Audit Committee fully confirm to the requirements of Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. These broadly include approval of internal audit programme, review of financial reporting systems, internal control systems, ensuring compliance with statutory and regulatory provisions, discussions on quarterly, half yearly and annual financial results, interaction with senior management, statutory and internal auditors, recommendation for re-appointment of statutory auditors etc.

b) Meetings and Attendance

The Audit Committee meetings were held 4 times during the year on 28th May, 2005, 26th July, 2005, 31st October, 2005 and 30th January, 2006. Representatives of the Management, Finance Department, Company Secretary, Statutory Auditors and Internal Auditors were also present at all the four meetings.

Audit Committee Members Attendance during the year 2005-06

Name	No. of meetings attended
Mr. M.M. Sabharwal (Chairman)	4
Dr. Ramesh C.Vaish	3
Mr. Rajen A. Kilachand	Nil
Dr. Surinder Kapur	2
Mr. Ranier Jueckstock	1

The Audit Committee meetings were also held on 12th May, 2006 for considering the appointment of M/s. S R Batliboi & Co. as Statutory Auditors of the Company for the Financial Year 2005-06 to fill the casual vacancy caused due to the resignation of M/s. S N Dhawan & Co. and on 30th June, 2006 which reviewed the audited financial results and Annual Accounts for the year ended 31st March 2006 with the statutory auditors and recommended the same for the approval of the Board.

4. REMUNERATION COMMITTEE

During the year 2005-06 the Remuneration Committee of the Company comprised of Mr. M.M. Sabharwal as Chairman, Dr. Ramesh C. Vaish and Mr. Rajen A. Kilachand, all three being Non-Executive Independent Directors. Mr. Rainer Jueckstock & Mr. Mukul Gupta were inducted as members of the Remuneration Committee after Mr. Rajen A. Kilachand resigned w.e.f. 12th May, 2006. The Remuneration Committee has been constituted to determine and review the remuneration packages of the Managing Director and/or Executive Director. The remuneration policy is in consonance with the existing industry practice.

During the year under review, the Remuneration Committee met only once on 28th October, 2005, to revise the remuneration of Mr. Anil Nanda. Mr. M M Sabharwal & Dr. Ramesh C. Vaish attended this meeting.

Details of Remuneration to Directors for the year 2005-06

Name of Executive Directors	Remuneration for the year ended 31 st March 2006* (Rs. in lacs)	Service contract	Notice Period	Severance Fees, if any
Mr. Anil Nanda	-Salaries 96.00 -Contribution to Provident & Other funds 35.72 -Other Perquisites 0.06 <u>131.78</u>	01-04-2003 to 31-05-2010 (Refer to Note 1)	Six Calendar months notice in writing by either party	Compensation in accordance with the provisions of section 318 of the Companies Act, 1956
Mr. Arun Anand	-Salaries 24.00 -Contribution to Provident & Other funds 8.93 -Other Perquisites 14.94 <u>47.87</u>	24-09-2002 to 30.06.2011 (Refer to note 2)	Six Calendar months notice in writing by either party	Compensation in accordance with the provisions of section 318 of the Companies Act, 1956

* In view of the losses incurred in the F. Y. 2005-06, the Company has applied for obtaining approval of Central Government for the payment of the above mentioned remuneration as the minimum remuneration to the Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956.

- Notes:
1. Mr. Anil Nanda has resigned from the Managing Directorship w.e.f 12th May, 2006 & therefore, his earlier service contract stands terminated. At present, Mr. Anil Nanda is Chairman & Non-Executive Director.
 2. Mr. Arun Anand was appointed as Managing Director & CEO of the Company in EGM held on 16th June, 06 and his Service Contract as MD & CEO will be effective from 1st July, 06 to 30th June, 2011.
 3. The Non-Executive Directors received sitting fees of Rs. 5,000/- each for the meetings of the Board/Committee attended by them except for Share Transfer Committee and Shareholders/ Investor Grievance Committee. However, w.e.f. 31st October, 2005 the amount of sitting fees for Board meetings was increased from Rs. 5,000/- to Rs. 20,000/- & for Committee meetings from 5,000/- to Rs. 10,000/-. There are no other pecuniary relationships or transactions with the Company.
 4. The Company does not have a stock option scheme.



5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

- The Shareholders/Investors Grievance committee of the Company comprises of Mr. M.M. Sabharwal (Chairman) & Dr. Ramesh C. Vaish being the Non-Executive Independent Directors and Mr. Arun Anand being the Executive Director.
- Company Secretary of the Company is the compliance officer nominated for this purpose.
- The Committee looks into the redressal of shareholders/investors grievances, if any, like delay in transfer/transmission/demat of shares, loss of share certificates, non-receipt of Annual Report, Dividend Warrants etc. The Committee met 4 times during the year i. e. on 28th May, 2005, 26th July, 2005, 31st October, 2005 & 30th January, 2006.
- No Investor Complaints were received from Stock Exchanges/SEBI. Whereas letters received from shareholders for routine matters such as requests for revalidation of dividend warrants, non-receipt of Annual Report, Dividend warrants were redressed/resolved/replied promptly in usual and proper manner to the entire satisfaction of the shareholders. During the year under review, 2 complaints were received from the shareholders out of which 1 was disposed off and only 1 complaint was pending on 31st March, 2006.
- Pending Share Transfer/Demat Requests: There was no request pending for Share Transfer or Transmission as on 31st March, 2006. Further, there were 20 requests pending for 2486 shares for demat as on 31st March, 2006, which were cleared on 5th April, 2006, 6th April, 2006 & 10th April, 2006 respectively.
- As per the provisions of Section 205A, read with Section 205C of the Companies Act, 1956 the Company is required to transfer unpaid dividend, matured deposits, interest thereon remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund set up by the Central Government. During the year under review, the Company has credited a sum of Rs. 7,35,916/- to Investor Education and Protection Fund pursuant to the said provisions.

6. ANNUAL GENERAL MEETINGS

	Year	Location	Date & Time	Whether any special resolution passed
48 th AGM	(2002-2003)	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110 001	27 th September 2003 11.30 A.M.	Yes
49 th AGM	(2003-2004)	—do—	24 th September 2004 11.30 A.M.	Yes
50 th AGM	(2004-2005)	—do—	23 rd September 2005 11.30 A.M.	No

Postal Ballot: During the year ended 31st March 2006, there have been no resolutions passed by the Company’s shareholders through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

7. DISCLOSURES

- Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
 - None of the transactions with any of the related parties were in conflict with the interest of the Company.
- Details of number of Shares & Convertible Instruments held by Non-Executive Directors.
 - During the year under review, Mr. M. M. Sabharwal held 6037 shares & Mr. L. M. Thapar held 1537 shares of the Company. As on date, no Non-Executive Director hold any share in the Company.
- Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the past three years.
 - None
- Whistle Blower Policy.
 - The Company does not have Whistle Blower Policy (constitution of which is a non-mandatory requirement). However, there is a transparent and effective mechanism within the organization in line with this policy. Further, no person has been denied access to the Audit Committee during the financial year 2005-06.
- Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements.
 - The Company is in full compliance with the mandatory requirements of Clause 49. Further, following Non-mandatory requirements are also adopted by the Company:
 1. At present, the Office of Chairman is held by Non-Executive Director
 2. There is also a Remuneration Committee in accordance with the provisions of Clause 49.



8. MEANS OF COMMUNICATION

Whether the half yearly report for the six months ended 30th September 2005 was sent to each household of the Shareholders

No, as the same was not mandatory.

Quarterly Results

Quarterly/Half Yearly Financial Results of the Company were considered and approved by the Directors and the same were communicated to Stock Exchanges on the same day. During the year under review, these results were generally published in English Dailies i.e Economic Times and The Times of India, Delhi and Mumbai and one Hindi daily i.e Navbharat Times, Delhi and Mumbai. The results are available on the Company's website at www.goetzeindia.net.

Whether presentations were made to Institutional Investors or to the analysts?

The above results were discussed with the Institutional Investors/analysts.

9. GENERAL SHAREHOLDERS INFORMATION

- a. 51st Annual General Meeting
 - Date and Time
 - Venue

-27th September 2006, 11:30 AM
-FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110001.

- b. **Financial Calender (Tentative)***
 - Results for the quarter ending June 30, 2006
 - Results for the quarter/half year ending Sept. 30, 2006
 - Results for the quarter/period ending December 31, 2006
 - Annual General Meeting for the year ending 31st December, 2006

Last week of July 2006
Last week of October 2006
Last week of March 2007
Last week of June 2007

*The Next Financial Year will be from 1st April, 2006 to 31st December, 2006

- c. **Book Closure date**
- d. **Dividend Payment date**
- e. **Listing of Equity Shares**

13th September 2006 to 27th September 2006 (both days inclusive)
Not Applicable

- **The Stock Exchange, Mumbai**
Phiroze JeeJee Bhoy Towers, Dalal Street, Mumbai-400001
- **National Stock Exchange of India Ltd.,**
Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai-400001
(See Note)

- f. **Stock Code**

Mumbai Stock Exchange-505744
National Stock Exchange-GOETZEIND

ISIN No. - NSDL
- CDSL

INE 529A01010
INE 529A01010

Note : Listing Fees for the year 2006-07 has been paid to both The Stock Exchange, Mumbai and National Stock Exchange. Annual custodian charges of Depository have also been paid to NSDL and CDSL.

- g. **Stock Market Data***

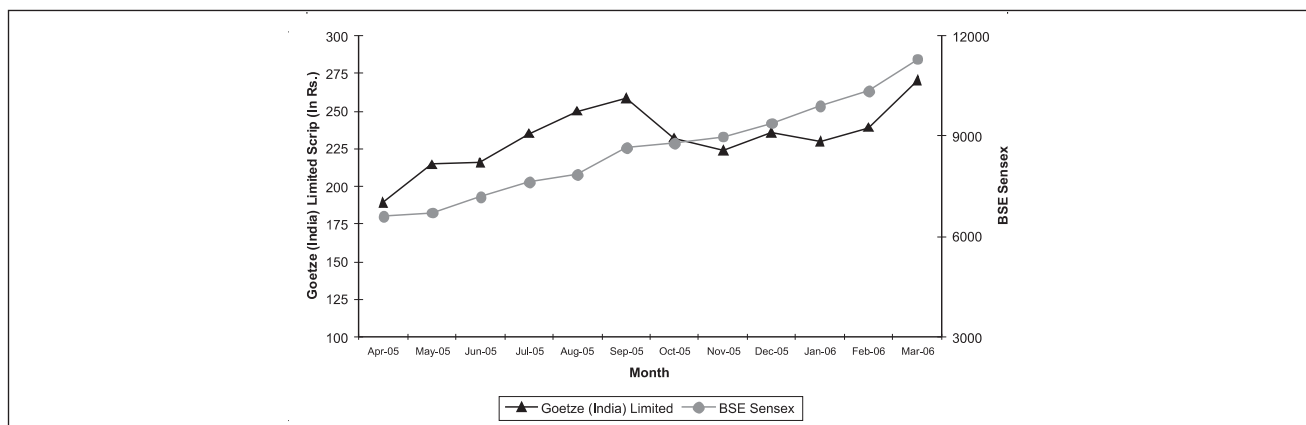
Month	The Stock Exchange, Mumbai				National Stock Exchange			
	Goetze Share Price (Rs.)		Sensex		Goetze Share Price (Rs.)		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
April 2005	189.45	162.95	6606.41	6134.86	187.00	163.10	2069.30	1902.50
May 2005	214.60	175.50	6715.11	6195.15	214.10	176.10	2087.55	1916.75
June 2005	216.20	195.05	7193.85	6655.56	215.15	194.35	2220.60	2064.65
July 2005	234.40	211.40	7635.42	7145.13	235.55	210.85	2319.10	2179.40
Aug 2005	250.00	218.55	7859.53	7595.57	249.65	219.95	2403.15	2318.05
Sept 2005	258.85	222.45	8650.17	7876.15	258.65	222.00	2611.20	2405.75
Oct 2005	232.15	192.80	8799.96	7920.80	232.40	193.10	2663.35	2316.05
Nov 2005	223.85	194.35	8994.94	7944.10	224.25	195.20	2712.00	2386.75
Dec 2005	235.65	218.15	9397.93	8815.53	234.75	218.85	2842.60	2660.50
Jan 2006	229.80	208.00	9919.89	9237.53	228.60	208.90	3001.10	2809.20
Feb 2006	239.15	207.10	10370.24	9742.58	239.50	208.20	3074.70	2940.60
March 2006	270.25	215.25	11307.04	10508.85	269.60	214.35	3418.95	3123.10

* High & Low figures of Closing Share Price, Sensex & Nifty Index have been taken.

* Source : www.bseindia.com; www.nseindia.com



h. Comparison of Goetze (India) Limited Scrip movement with BSE Sensex (Month Closing - High)



i. Share Transfer System

- Alankit Assignments Limited, RTA Division, 2E/21, Jhandewalan Extension, New Delhi 110055 is acting as the Registrar and Transfer Agent for the Equity Shares of the Company, w.e.f 1st May 2005 to provide services in both Physical and Electronic Mode.
- The authority relating to share transfer has been delegated to the Share Transfer Committee. The Share Transfer Committee comprises of Mr. Anil Nanda, Chairman, Mr. Arun Anand and Mr. M.M. Sabharwal. Valid share transfers in physical form and complete in all respects are normally approved and registered generally within a period of a fortnight by the Share Transfer Committee. Valid demat requests are cleared twice in a week. The committee met 21 times during the year 2005-06 for approving transfers, transmission etc.
- Pursuant to clause 47(c) of the Listing Agreement with the Stock Exchanges certificates on half yearly basis, have been issued by the Company Secretary in practice for due compliance of share transfer formalities by the Company.
- Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Chartered Accountant in practice for timely dematerialisation of the shares of the Company and also a Secretarial Audit Report obtained from a Practicing Company Secretary on a quarterly basis for the reconciliation of the share capital of the Company.

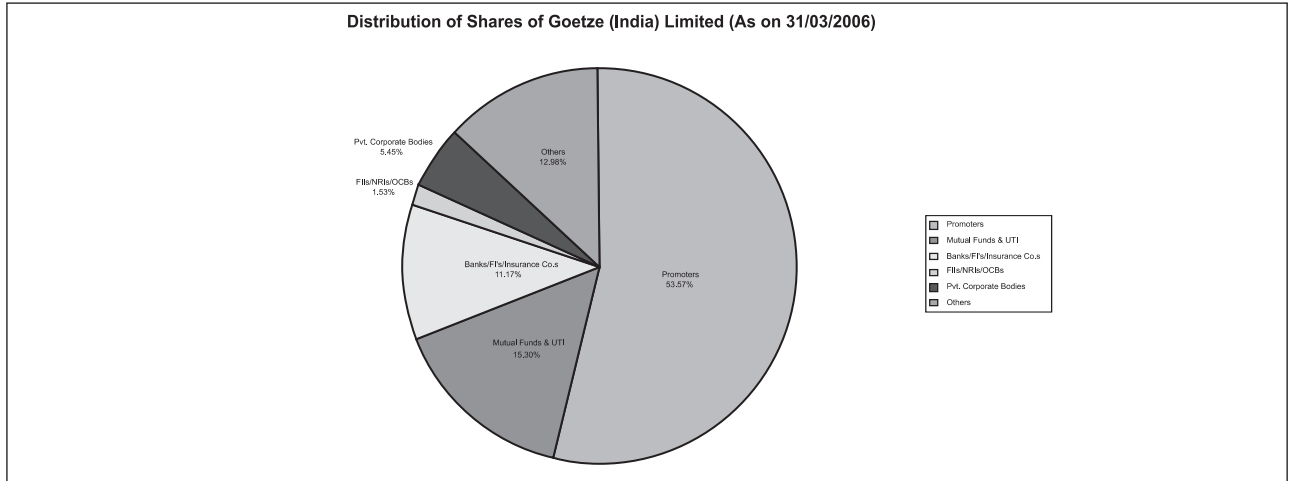
j. Distribution Schedule as on 31.03.2006

A) On the basis of shares held

No. of shares	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
UPTO 500	20870	95.07	1936505	7.66
501 - 1000	495	2.26	375777	1.49
1001 - 2000	284	1.29	383749	1.52
2001 - 3000	147	0.67	347004	1.37
3001 - 4000	26	0.12	93677	0.37
4001 - 5000	29	0.13	135081	0.53
5001 - 10000	51	0.23	383598	1.52
ABOVE 10001	50	0.23	21632158	85.54
TOTAL	21952	100.00	25287549	100.00

B) On the basis of Category

Category	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
Individuals	21172	96.45	4006128	15.84
Corporate Bodies	434	1.98	7670096	30.34
Financial Institutions /Mutual funds/Banks	35	0.16	6692939	26.47
Non-Resident Indians	213	0.97	104193	0.41
Foreign Institutional Investors/ Overseas Corporate Bodies	9	0.04	281697	1.11
Non-Resident Company	1	negligible	6439437	25.46
Others	88	0.40	93059	0.37
Total	21952	100.00	25287549	100.00

**k. Dematerialization of shares and Liquidity**

As on 31st March 2006, 70.99% of the Equity Capital of the Company has been dematerialised. The shares of the company are traded on Mumbai and National Stock Exchange and have good liquidity.

l. Outstanding GDR's/ADR's/Warrants or any convertible instruments, conversion date and likely impact on equity.

None

m. Plant Locations:

- | | | |
|---------------------------------------|--|--|
| 1. Bahadurgarh
Patiala
(PUNJAB) | 2. Yelahanka
Bangalore
(KARNATAKA) | 3. SPL 1240-44
RIICO Industrial Area, Phase I Extn., Bhiwadi
(RAJASTHAN) |
|---------------------------------------|--|--|

n. Registered office:

A-26/3 Mohan Co-operative Industrial Estate, New Delhi-110044
Tel No: 41497600 / Fax No. 41497601
email: rajan.luthra@federalmogul.com
Website: www.goetzeindia.net

o. Registrar and Share Transfer Agent

Alankit Assignments Limited
2E/21, Jhandewalan Extension,
New Delhi-110055
Ph. 41540060-64

p. Compliance Officer:

Mr. Rajan Luthra, Financial Controller and Company Secretary

For and on behalf of the Board

Arun Anand
Managing Director & CEO

M. M. Sabharwal
Director

Date : 30th June, 2006.

Place : New Delhi

DECLARATION OF CEO

This is to certify that the Company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the copy of same is posted on the website of the Company viz. www.goetzeindia.net. Further certified that the Members of the Board and Senior Management Personnel have affirmed their compliance with the Code for the year ended 31st March, 2006.

Date : 30th June, 2006.

Place : New Delhi

Arun Anand
Managing Director & CEO



GOETZE (INDIA) LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE

The Company has obtained a Certificate from the Company Secretary in whole time practice regarding compliance of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchange.

To the Members of
Goetze (India) Limited
New Delhi

We have examined the compliance of conditions of Corporate Governance of Goetze (India) Limited for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of Company with the Stock Exchange in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that in respect of Investors grievances received during the year ended 31st March, 2006, no investor grievances (except One) are pending against the Company for the period exceeding one month as per the records maintained by the Company which are presented to the shareholders/ Investor 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 **RANJEET PANDEY & ASSOCIATES**
Company Secretaries

Ranjeet Pandey
Proprietor
Membership No. 6087

Place : New Delhi
Date : 30th June, 2006

**AUDITORS' REPORT****To The Members of Goetze (India) Limited**

1. We have audited the attached Balance Sheet of Goetze (India) Limited as at March 31, 2006 and also the 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (as amended) 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.
4. We invite your attention to Note - 8(b) under schedule 24 explaining management's assessment in relation to certain machineries of the value of Rs. 800 lacs constructed by the company for which cost details are under compilation. Consequential effect, if any, which might arise on completion of these details, is not ascertainable.
5. Personnel costs and Operating and Other expenses under Schedule 18 and 19 include Rs 101 lacs and Rs 12.80 lacs respectively towards director's remuneration which is in excess of permissible remuneration determined under Schedule XIII of The

Companies Act, 1956. Management has confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company is preparing necessary application.

6. Attention is drawn to note 9 under schedule 24 in relation to management's decision to derecognise sales based on reassessment of transfer of risks and rewards, corresponding impact of which in previous year figures is not ascertainable.
7. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, except for cost details in respect of certain machineries as stated in 4 above, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) Subject to our comments in paragraph 4 above in relation to cost details for certain machineries, consequential effect in financial statements whereof is not ascertainable and in paragraph 5 above relating to amounts

recoverable from directors towards excess remuneration, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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;

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2006;
- b) in the case of the profit and loss account, of the loss for the year ended on that date, and
- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

for **S.R. Batliboi & Co.**
Chartered Accountants

Per Pankaj Chadha

Partner

Place : New Delhi
Dated: June 30, 2006

Membership
No. 91813

Annexure referred to in paragraph 3 of our report of even date. Re: Goetze India Limited

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.
- (b) All fixed assets have not been physically verified by the management during the year. There is a regular programme of verification under which the company selectively conducts physical verification of fixed assets to cover all its assets over a period of 3 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Certain Fixed assets have been



- physically verified by the management during the year in accordance with such programmes and as informed, discrepancies which were not material have been properly dealt in the books of accounts.
- c) During the year, the company has disposed off a substantial part of the plant and machinery. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of plant and machinery has not affected the going concern status of the company.
- ii. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable, *however require further strengthening to make these adequate in relation to the size of the Company and the nature of its business.*
- (c) The company is maintaining proper records of inventory during the year and as informed, *material discrepancies were identified* on such verification. These have been properly dealt with in the books of accounts.
- iii. (a) The Company has granted loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1,347.61 lacs and the year- end balance of loans granted to such parties was Rs. 528.65 lacs.
- (b) In our opinion and according to the information and explanations given to us, *interest free loan of Rs. 470.95 lacs to one company is prima facie prejudicial to the interest of the company*, other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
- (d) Based on our audit procedures and the information and explanation made available to us, in case where overdue amount is more than rupees one lacs, reasonable steps have been taken by the Company for recovery of the principal and interest.
- (e) The Company had taken loan from three companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1,628.17 lacs and the year-end balance of loans taken from such parties was Rs. Nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for sale of goods/services and for the purchase of inventory and fixed assets *except in respect of certain fixed assets where purchases are made without inviting quotations which, in our opinion, also is a continuing failure to correct major weakness in the internal control system and prevailed at the balance sheet date.*
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs entered during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public during the year.
- vii. The company has employed an external internal auditing firm to carry its internal audit. In our opinion *the scope and coverage of such Internal Auditing can be further enlarged to be commensurate with the size and nature of its business.*
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix. a) Undisputed statutory dues including provident fund, investor education and 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 have been regularly deposited with the appropriate authorities, *though there has been a slight delay in few cases.*
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable.



- c) According to the records of the Company, the dues outstanding of sales-tax, income-tax, custom duty, wealth-tax, excise duty and cess which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	6.97	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.00	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.85	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	0.8	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	3.33	2001-2002	Additional Commissioner of Central Excise.
Central Excise Act	Excise Duty on Turnover Discount	26.08	2001-2002	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	23.96	2001-2002	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	18.36	2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	17.76	2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	43.43	2003-2004	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	44.12	2004-2005	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	49.55	2000-2001 to 2004-2005	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	33.74	2000-2001 to 2003-2004	Additional Commissioner of Central Excise.
Central Excise Act	Service Tax	39.95	1999-2000 to 2004-2005	Additional Commissioner of Central Excise, Chandigarh
Central Excise Act	Excise Duty	6.06	2002-2003	Commissioner of Central Excise (Appeals) Chandigarh
Central Excise Act	Excise Duty	4.77	2003-2004	Appeal to be filed
Central Excise Act	Excise Duty	1.32	2005-2006	Appeal to be filed
Central Excise Act	Excise Duty	4.65	2000-2001	Commissioner of Central Excise (Appeals) Chandigarh
Central Excise Act	Excise Duty	9.37	2000-2001	Joint Commissioner of Central Excise.
Central Excise Act	Excise Duty	9.34	1987-1990	Punjab & Haryana High Court
Central Excise Act	Excise Duty	1.05	1987-1990	Punjab & Haryana High Court
Central Excise Act	Excise Duty	30.67	1988-1994	Punjab & Haryana High Court
Central Excise Act	Excise Duty	0.35	1994-1995	Punjab & Haryana High Court
Central Excise Act	Excise Duty	10.85	2000-2001	Supreme Court
Central Excise Act	Excise Duty	4.29	2001-2002	Supreme Court
Central Excise Act	Excise Duty	34.11	2000-2003	Additional Commissioner of Central Excise.
Central Excise Act	Excise Duty	5.59	1995-1996 to 2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	0.24	2004-2005	Deputy Commissioner of Central Excise.
ESI Act	ESI	18.06	2001-2002	Civil Court
ESI Act	ESI	4.62	1988-1989	Supreme Court
ESI Act	ESI	15.55	1989-1990 to 2004-2005	ESI Court
ESI Act	ESI	59.71	1990-1991 to 2005-2006	Assessing officer
Karnataka Sales Tax Act	Local Sales Tax	233.96	1996-1997 to 2001-2002	Karnataka High Court
Central Sales Tax Act	Central Sales Tax	38.39	1999-2000	Karnataka High Court
Income Tax Act	Income tax	161.00	2003-2004	Commissioner Income Tax (Appeals)

- x. The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money through a public issue.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

for **S.R. Batliboi & Co.**
Chartered Accountants

Per Pankaj Chadha
Partner

Membership No. 91813

Place : New Delhi
Dated: June 30, 2006



GOETZE (INDIA) LIMITED

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2528.75	2528.75
Reserves and Surplus	2	7592.65	13328.14
		10121.40	15856.89
Loan Funds			
Secured Loans	3	32942.42	30160.43
Unsecured Loans	4	6018.29	5539.05
		38960.71	35699.48
		49082.11	51556.37
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	49462.07	49698.23
Less: Depreciation		17238.83	17431.80
Net Block		32223.24	32266.43
Capital Work-in-Progress including capital advances		650.34	1566.78
		32873.58	33833.21
Investments	6	2243.40	2925.26
Deferred Tax Assets-(Net)	7	—	430.80
Current Assets, Loans and Advances			
Inventories	8	13484.75	9700.17
Sundry Debtors	9	6839.04	8973.40
Cash and Bank Balances	10	220.14	146.01
Other Current Assets	11	76.99	369.09
Loans and Advances	12	2976.76	3030.58
Less: Current Liabilities and Provisions			
Current Liabilities	13	8895.98	8072.51
Provisions	14	1200.77	1867.73
		10096.75	9940.24
Net Current Assets		13500.93	12279.01
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	—	2088.09
Debit balance in profit and loss account		464.20	—
		49082.11	51556.37
Notes on Accounts	24		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet

As per our report of even date

For S.R.Batlloi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary

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

	Schedule	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
INCOME:			
Turnover (Gross)		51236.30	49835.26
Less : Excise duty		6689.17	6554.22
Turnover (Net)		44547.13	43281.04
Job work Income		839.53	397.18
Other Income	16	1215.38	1497.36
TOTAL		46602.04	45175.58
EXPENDITURE:			
Raw materials and components consumed	17	13453.81	11367.74
Personnel	18	11006.83	10244.69
Operating and other	19	22693.01	15631.38
Decrease/(increase) in inventories	20	(3603.48)	(916.30)
Depreciation and Amortisation	5	3417.02	2674.05
Provision for impairment losses on assets held for sale		258.07	250.00
Increase of excise duty on finished goods		466.83	98.34
Financial Expenses	21	3302.68	2794.05
Less: Expenditure capitalised for self constructed assets		604.92	220.05
		50389.85	41923.90
Profit before Tax and Prior Period items		(3787.81)	3251.68
Provision for tax (includes Rs. 229.94 lacs, Previous Year Rs. (3) lacs relating to earlier years)		229.94	242.00
Fringe benefit tax		150.00	-
Deferred -tax (includes Rs. 430.80, Previous Year Rs. Nil, pertaining to earlier years)		430.80	806.44
Total tax expense		810.74	1048.44
Profit / (loss) after tax but before prior period item		(4598.55)	2203.24
Prior period items	22	457.00	-
Net profit / (loss)		(5055.55)	2203.24
Balance brought forward from previous year		2531.59	2263.71
Transferred from debenture redemption reserve		-	208.33
Profit / (loss) available for appropriation		(2523.96)	4675.28
Appropriations			
Proposed final dividend		-	1011.50
Tax and cess on dividend		-	132.19
General reserve		-	1000.00
(Loss)/ Surplus carried to Balance Sheet		(2523.96)	2531.59
Adjusted against General Reserve		2059.76	-
(Loss)/ Surplus carried to Balance Sheet		(464.20)	-
Earnings per share	23		
Basic and diluted			
[Nominal value of shares Rs 10 (Previous year Rs 10)]		(19.99)	8.71
Notes on Accounts	24		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

As per our report of even date attached

For S.R.Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Pankaj Chadha
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary



GOETZE (INDIA) LIMITED

SCHEDULES 1-24

Schedule 1 : Share Capital

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Authorised		
8,00,00,000 Equity Shares of Rs.10 each (Previous Year-8,00,00,000)	8000.00	8000.00
	8000.00	8000.00
Issued, Subscribed and Paid-up		
*2,52,87,549 Equity Shares of Rs.10 each fully paid (Previous Year-2,52,87,549)	2528.75	2528.75
	2528.75	2528.75

* Of the above Equity Shares:

- a) 12,52,680 Equity Shares have been allotted as Bonus Shares by capitalisation of General Reserve.
(Previous Year-12,52,680)
- b) 84,29,183 Equity Shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
(Previous Year-84,29,183)
- c) 84,207 Equity shares have been issued for consideration other than cash.
(Previous Year-84,207)

Schedule 2: Reserves and Surplus

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Capital Reserve	56.55	56.55
Capital Subsidy	1.12	1.12
Revaluation Reserve Account *		
As per last Balance Sheet	1144.09	1269.23
Less: Transferred to Profit and Loss Account		
Depreciation	-	117.66
on assets sold/ discarded	-	7.48
Other adjustments *	1144.09	-
	-	1144.09
Securities Premium Account	6534.98	6534.98
Capital Redemption Reserve	1000.00	1000.00
General Reserve		
Balance as per last Balance Sheet	2059.76	1059.76
Add: Transferred from/debit balance in Profit & Loss Account	(2059.76)	1000.00
	-	2059.76
Total	7592.65	10796.50
Profit and Loss Account	-	2531.64
	7592.65	13328.14

* See note 2(b) (ii) under schedule 24

**SCHEDULES 1-24 (Contd.)****Schedule 3: Secured Loans**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Loans and advances from banks		
Term loans	25169.82	22146.95
Vehicle loans from banks	179.33	0.96
Working capital loans from banks	3665.98	2480.72
Customer bills discounted with banks	3909.92	5518.36
Interest accrued and due	17.37	13.44
	32942.42	30160.43

Notes:

- (i) Term Loans repayable within one year Rs 14,038.33 lacs (Previous Year Rs 11,951.78 lacs)
- (ii) Term Loans from banks are secured by
- Rs 8,134.38 lacs (Previous Year 11,742.09 lacs) are secured by a first charge ranking pari-passu inter-se on the immovable and movable fixed assets of the Company.
 - Rs 412.50 lacs (previous Year Rs 7,300 lacs) are secured / to be secured by a first charge on the movable fixed assets of the Company.
 - Rs 229.82 lacs (Previous Year Rs 604.86 lacs) are secured by a first pari-passu charge on the immovable and movable fixed assets consisting of plant and machinery, land and building, stores and spares of the Company's factories situated at Patiala (Punjab) and Bangalore (Karnataka).
 - Rs 2,000 lacs (Previous Year Rs 2,500 lacs) are secured by a second subservient charge on the movable fixed assets of the Company situated at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan).
 - Rs 5,000 lacs (Previous Year Rs—Nil) are secured by first pari-passu charge on the entire block of fixed assets and second charge over current assets to cover the uncovered portion.
 - Rs 3,208 lacs (Previous Year Rs—Nil) are secured by first pari-passu charge with all secured lenders on the entire assets of the Company.
 - Rs 1,497.62 lacs (Previous Year Rs—Nil) are secured by first pari-passu charge on all fixed assets excluding land, buildings and vehicles, with other term lenders.
 - Rs 2,500.00 lacs (Previous Year Rs—Nil) are secured by first pari-passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any.
 - Rs 2,187.50 lacs (Previous Year Rs—Nil) are secured by first pari-passu charge on current assets and second pari passu charge on fixed assets.
- (iii) Vehicle loans of Rs 179.33 lacs (Previous Year Rs 0.96 lacs) from banks are secured by way of hypothecation of the underlying vehicles.
- (iv) Working capital loans from banks are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both present and future.
- (v) Working capital loans include Rs 400.00 lacs (Previous Year Rs 500.00 lacs) in an escrow account with the lending bank as per agreement entered into by the Company with a customer under which amounts receivable from the said customer are maintained in the said escrow account with the lending bank. The amounts are secured by way of second charge on fixed assets of the Company.



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 (Contd.)

Schedule 4: Unsecured Loans

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Unpaid Fixed Deposits	18.29	39.05
Short Term Loans and Advances :		
- From Schedule Banks*	6000.00	5500.00
	6018.29	5539.05

* Includes Rs.4000 lacs (Previous year-Rs.5500 lacs) Commercial Papers. Maximum amount outstanding during the year - Rs.9000.00 lacs (Previous year-Rs.8000 lacs).

Schedule 5: Fixed Assets

	Rs. Lacs								
	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Total	Previous Year
Gross block									
At April 1, 2005	1641.16	184.25	8119.88	1593.70	37105.09	691.84	362.31	49698.23	44822.61
Additions	-	-	290.59	237.21	4666.85	264.29	-	5458.93	5151.60
Deductions	-	-	25.34	6.70	1831.44	211.19	-	2074.67	275.98
Less adjusted against revaluation reserve	105.34	-	461.94	-	3053.14	-	-	3620.42	-
At March 31, 2006	1535.82	184.25	7923.19	1824.21	36887.36	744.94	362.31	49462.07	49,698.23
Depreciation									
At April 1, 2005	-	-	1685.08	654.95	14852.16	152.15	87.46	17431.80	14811.99
For the year	-	2.00	253.56	143.04	2850.65	95.31	72.46	3417.02	2799.19
Deletions / Adjustments	-	-	1.41	2.41	1062.49	67.35	-	1133.66	179.38
Less adjusted against revaluation reserve	-	-	275.73	-	2200.60	-	-	2476.33	-
At March 31, 2006	-	2.00	1661.50	795.58	14439.72	180.11	159.92	17238.83	17431.80
For previous year	-	-	253.68	97.08	2310.00	65.97	72.46	2799.19	
Net block									
At March 31, 2006	1535.82	182.25	6261.69	1028.63	22447.64	564.83	202.39	32223.25	
At March 31, 2005	1641.16	184.25	6434.80	938.75	22252.93	539.69	274.85	32266.43	
Capital work-in-progress including capital advances Rs 118.41 lacs (Previous Year Rs. 794.60 lacs)								650.34	1,566.78

Notes:

- Additions includes foreign exchange capitalised Rs. 5 lacs (Previous year Rs. 3 lacs).
- Depreciation for the year includes Rs. Nil (Previous Year Rs. 125.14 lacs) transferred from revaluation reserve in respect of revalued assets.
- Land includes (at cost) Rs. 900.65 lacs (Previous Year Rs. 900.65 lacs) pending registration in the name of the Company.
- Buildings include (at Cost).
 - Rs.101.38 lacs (Previous Year Rs.138.35 lacs) Residential flats pending registration in the name of the Company.
 - Rs.1261.39 lacs (Previous Year Rs. 1261.39 lacs), constructed on land pending registration in the name of the Company.
- * includes Patents and Trade marks valued at Re.1.

**SCHEDULES 1-24 (Contd.)****Schedule 6 : Investments**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Long Term (At Cost)		
A Trade Investments (Quoted)		
Escorts Limited	-	499.18
Nil (Previous year-5,29,486) Equity Shares of Rs.10 each fully paid .		
B Subsidiary Companies		
Unquoted fully paid up		
(i) 51,00,000 (Previous Year - 51,00,000) equity shares of Rs. 10 each in Goetze TP (India) Ltd	510.00	510.00
(ii) 5,10,000 (Previous year - 5,10,000) 6% redeemable cumulative preference shares of Rs.100 each in Goetze TP (India) Ltd	510.00	510.00
(iii) 50,000 (Previous Year -50,000) equity shares of Rs. 10 each in Satara Rubber & Chemicals Ltd	201.00	201.00
Less : Provision for diminution in the value of investment	<u>(126.69)</u>	<u>-</u>
C Government Securities		
National Savings Certificates*	1.42	1.42
D Other investments		
(i) GI Power Corporation Limited		
a) 38,89,600 (Previous Year-7,38,400) equity shares of Rs. 5 each, fully paid	194.48	36.92
b) 2,030,600 (Previous Year-20,30,600) 10% redeemable cumulative preference shares of Rs. 5 each fully paid	67.69	101.53
c) 17,528,800 (Previous Year - 20,000,000) 8% cumulative convertible redeemable Preference Shares of Rs. 5 each fully paid	876.44	1000.00
(ii) GTZ Securities Limited		
9,23,000 (Previous Year-9,23,000) equity shares of Rs. 5 each fully paid in	46.15	46.15
Less : Provision for diminution in the value of investment	<u>(46.15)</u>	<u>-</u>
(iii) Nanz Food Products Limited		
1,00,000 (Previous Year-1,00,000) 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	10.00
Less : Provision for diminution in the value of investment	<u>(10.00)</u>	<u>-</u>
E Current investments (quoted)		
Unit Trust of India		
9,058 (Previous Year 9,058) 6.75% Taxfree US 64 Bonds of Rs.100 each fully paid in Unit Trust of India	9.06	9.06
	2243.40	2925.26

* The investment is pledged with Sale Tax Authorities
Aggregate value of quoted investments **9.06** 508.24
Market value Rs. 9.06 , Previous year Rs. 438.74 lacs

- A. Following investments were purchased during the year
- 3,151,200 equity shares of Rs. 5 each fully paid in GI Power Corporation Limited. Out of these, 680,000 equity shares of Rs. 5 each fully paid were subscribed to on preferential allotment made by the investee.
 - Nil (Previous Year 50,000) equity shares of Rs.10 each, fully paid in Satara Rubber and Chemicals Limited.
 - Nil (Previous Year 20,000,000) 8% cumulative convertible redeemable preference shares of Rs. 5 each, fully paid in GI Power Corporation Limited.
- B. Following investments were sold/ converted during the year
- Sold 529,486 equity shares (Previous Year 664,110) of Rs.10 each, fully paid in Escorts Limited.
 - Sold 2,471,200, 8% cumulative redeemable preference shares of Rs. 5 each fully paid in GI Power Corporation Limited.
 - Sold Nil (Previous Year 10,020,000) equity shares of Rs. 10 each, fully paid in GI Wind Farms Limited
 - Sold Nil (Previous Year 56) 12.35% bonds of Rs. 50,000 each fully paid in Sardar Sarovar Narmada Limited
 - Sold Nil (Previous Year 165,000) 6.75% Taxfree US 64 Bonds of Rs. 100 each fully paid.
- C. 10% redeemable cumulative preference shares of Rs. 5 each fully paid are redeemable on following terms:
- on June 30, 2005 Rs. 1.67 per share
 - on June 30, 2006 Rs. 1.67 per share
 - on June 30, 2007 Rs. 1.67 per share
- Company has received Rs. 1.67 per share on its 2,030,600 preference shares due on June 30, 2005



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 (Contd.)

Schedule 7: Deferred Tax Assets

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Deferred tax liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	5051.82	5227.49
Gross deferred tax liabilities	5051.82	5227.49
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	810.92	238.31
Carry forward of losses	4240.90	5419.98
Gross deferred tax assets	5051.82	5658.29
Net deferred tax assets	-	430.80

Schedule 8: Inventories

Raw materials and components (Including materials in transit Rs. 176.03 lacs (Previous Year Rs 258.79 lacs)	1159.52	1498.08
Stores and Spares	2186.09	1883.91
Work-in-Progress	2721.66	2254.05
Reusable scrap	598.30	380.82
Finished goods	6819.18	3683.31
	13484.75	9700.17

Schedule 9: Sundry Debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good	218.02	344.38
Unsecured, considered doubtful	19.72	-
Other debts		
Unsecured, considered good	6621.02	8629.02
	6858.76	8973.40
Less : Provision for doubtful debts	19.72	-
	6839.04	8973.40

**SCHEDULES 1-24 (Contd.)****Schedule 10: Cash and Bank Balances**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Cash in hand	11.38	6.83
Balances with scheduled banks:		
On current accounts	93.77	38.31
On deposit accounts (pledged with Government authorities)	80.63	70.65
On unpaid dividend accounts	34.36	30.22
	220.14	146.01

Schedule 11: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value) (refer note 10 under schedule 24)	38.55	275.00
Interest / Dividend accrued on deposits / investments	38.44	94.09
	76.99	369.09

Schedule 12: Loans and Advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received *	396.22	1,373.37
Advance to Satara Rubber & Chemicals Limited	470.95	—
Advance to Escorts Farms Limited	2.12	—
Advance to Gossini Fashion Ltd (earlier AN-GIP Leather (India) Limited)	57.70	—
Advance to Vendor	28.50	42.11
Security Deposits	336.29	368.17
Balance with Excise Authorities	1040.68	631.78
Advance Payment of Tax (net of provision)	644.30	615.15
	2976.76	3030.58

Schedule 13: Current Liabilities

Acceptances	1477.70	—
Sundry creditors		
- Small scale industries *	141.33	43.69
- others	4213.85	4804.46
-Due to Subsidiary Company	1867.28	712.85
Advance received against supplies from subsidiary company	—	927.50
Other liabilities	974.14	1362.54
Security Deposit	167.92	166.34
Unpaid dividend	34.14	30.22
Interest Accrued but not due on loans	19.62	24.91
	8895.98	8072.51

* Amount represents amounts due to small scale industries (SSI), to the extent such parties have been identified from available documents/information. Refer note 15 under schedule 24 for names of SSI which are outstanding for 30 days or more.



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 (Contd.)

Schedule 14 : Provisions

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Provision for leave encashment	345.69	248.85
Provision for gratuity	480.47	429.27
Provision for superannuation	374.61	45.92
Proposed dividend	-	1011.50
Tax on proposed dividend	-	132.19
	1200.77	1867.73

Schedule 15 : Miscellaneous Expenditure

Voluntary retirement scheme expenses			
Balance as per last Balance Sheet	1599.65	1382.25	
Add: Additions in current year	590.60	780.12	
Less : Written off	<u>2190.25</u>	<u>562.72</u>	1,599.65
Commission, upfront fee			
Balance as per last Balance Sheet	428.49	286.09	
Add: Additions in current year	264.82	458.29	
Less : Written off	<u>693.31</u>	<u>315.89</u>	428.49
Development expenses			
Balance as per last Balance Sheet	59.95	100.63	
Add: Additions in current year	33.20	-	
Less : Written off	<u>93.15</u>	<u>40.68</u>	59.95
	-	-	2088.09

Schedule 16: Other Income

	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
Interest:		
Bank deposits (Tax deducted at source Rs. 1.62 lacs, Previous Year Rs. 1.94 lacs)	6.70	20.07
Income tax refund	-	108.27
Others (Tax deducted at source Rs. 13.88 lacs, Previous Year Rs. 7.96 lacs)	68.48	51.45
Dividend on investment in subsidiary	-	122.40
Sale of scrap	504.65	528.09
Commission received from subsidiary	202.43	155.64
Duty drawback/ Exim Scrip realisation	18.46	127.53
Cash Discount	84.47	70.42
Excess provision written back	116.54	23.61
Miscellaneous income	178.22	257.67
Management fees	35.43	32.21
	1215.38	1497.36

**SCHEDULES 1-24 (Contd.)****Schedule 17 : Raw Materials and Components Consumed**

	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
Raw Material and Components Consumed		
Inventories - Opening	1498.08	1028.39
Add: Purchases	13115.25	11837.43
	14613.33	12865.82
Less: Inventories - Closing	1159.52	1498.08
	13453.81	11367.74

Schedule 18: Personnel Expenses

Salaries, wages and bonus	8633.66	7746.42
Contribution to provident fund and other funds	660.28	559.70
Contribution to other funds	43.39	93.43
Contribution to gratuity	492.98	479.83
Workmen and staff welfare expenses	1176.52	1365.31
	11006.83	10244.69

Schedule 19: Operating and Other Expenses

Consumption of stores and spares	6613.66	4429.35
Sub-contracting	916.81	727.95
Power and fuel	3803.17	3603.05
Freight and Forwarding charges	774.96	839.72
Rent	165.90	156.56
Rates and taxes		
- Sale & Purchase tax	101.56	48.37
- Others	110.11	60.47
Insurance	145.74	120.48
Repairs and maintenance		-
- Plant and machinery	143.97	178.55
- Buildings	184.58	46.89
- Others	249.34	155.09
Advertising and sales promotion	2847.65	2260.40
Royalty	469.64	398.26
Product rectification charges	105.87	68.82
Legal and professional*	302.16	129.88
Travelling and conveyance	658.53	674.34
Communication costs	144.29	145.38
Printing and stationery	57.80	66.72
Directors' sitting fees	1.95	1.05
Auditor's remuneration		
- Audit fee	34.00	12.50
- Tax audit fee	-	5.00
- For certification and other matters	-	7.90
- For Limited reviews	21.90	-
- Out-of-pocket expenses	-	3.58
Charity & Donation	10.62	12.25
Miscellaneous expenditure written off	2976.70	919.29
Provision for doubtful debts	19.72	-
Loss on sale of trade investments	2.40	-



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 (Contd.)

Schedule 19: Operating and Other Expenses (Contd.)

	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
Foreign exchange rate difference (net)	91.16	112.62
Loss on sale / discard of fixed assets (net)	108.67	33.77
Provision for obsolescence of fixed assets	875.91	-
Advances written off	19.27	-
Provision for diminution in the value of investments	182.84	-
Miscellaneous	552.13	413.14
	22693.01	15631.38

* Legal and professional expenses include Rs 35.85 lacs paid to a firm in which the partner of the firm conducting statutory audit is a partner

Schedule 20 : Decrease/(increase) in Inventories

Inventories - Opening		
- Work-in-progress	2254.05	1788.55
- Finished goods	3683.31	3232.51
	5937.36	5021.06
Inventories - closing		
- Work-in-progress	2721.66	2254.05
- Finished goods	6819.18	3683.31
	9540.84	5937.36
	(3603.48)	(916.30)

Schedule 21: Financial Expenses

Interest		
- to banks	3183.31	2550.28
- others	42.69	112.80
Bank charges	76.68	130.97
	3302.68	2794.05

Schedule 22: Prior Period Expenses

Superannuation	332.00	-
Advertising and sales promotion	125.00	-
	457.00	-

Schedule 23: Earnings per share (EPS)

Net profit as per profit and loss account	(5055.55)	2203.00
Weighted average number of equity shares in calculating basic and diluting Earning per share	25287549.00	25287549.00
Earning per share	(19.99)	8.71

**SCHEDULES 1-24 (Contd.)****Schedule 24 : Notes on Accounts****1. Background**

Goetze India Limited ('Goetze' or 'company'), was incorporated at New Delhi on 26th November, 1954, for manufacture, supply and distribution of 'automotive components' i.e. rings used in two/three/four wheeler automobiles.

In 2002, the company acquired 100% of the share capital of Escorts Pistons Limited (earlier Escorts Mahle Limited and incorporated in 1996), determined based on fair value of the business, approved by the statutory authorities.

Also, in 2001, the company acquired 100% of the share capital of Federal Mougul Sintered Products Ltd. (incorporated in 1996) for a mutually agreed consideration determined based on fair value of the business, approved by the statutory authorities.

The major facilities of the company are located at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan), with its registered office in New Delhi.

The company is listed at National Stock Exchange and The Stock Exchange, Mumbai.

2. Statement of significant accounting policies**a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies followed by the Company are consistent with those used in the previous year except the change in accounting policies mentioned below.

b) Changes in Accounting Policies

- i) The company, towards better presentation of its results, during the year, has changed its hitherto followed policy of –
- (a) amortizing termination benefits over 60 months to amortization of termination benefits fully, in the year when such expenditure is incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 1,540 lacs.
 - (b) amortizing commission, upfront processing fee and syndication fee on term loans over the period of underlying loans to amortizing these costs fully in the year in which these are incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 369 lacs.
 - (c) amortising development expenses over a period of six years to amortising these costs fully in the year in which these are incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 56 lacs
- ii) The company, towards better presentation of financial statements, during the year, has changed its hitherto followed policy of showing certain fixed assets at revalued costs to original/historical cost. As a result of such change balance of revaluation reserve appearing in financial statements amounting to Rs. 1,144.09 lacs as at April 1, 2005 has been reversed with the corresponding credit to fixed assets. This change however does not have any impact on the profit and loss account.

c) Tangible assets and depreciation

- i) Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

- ii) Depreciation is provided on straight line method basis. Depreciation is determined based on management's assessment of assets lives and is calculated at the rates so determined, which are either equal to or higher than rates provided for such assets under Schedule XIV of the Companies Act, 1956.

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings-Factory	3.34	3.34
- Other	1.63	1.63
(iii) Furniture, fittings & office equipment	6.33	6.33
(iv) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
- Triple Shift	10.34	10.34
- Continuous process plant	5.28	10.34
(v) Vehicles – Employee	9.50	20.00
- Material Handling Vehicles	9.50	11.31
- Others	9.50	9.50
(vi) Office Equipment	4.75	4.75
(vii) Computers	16.21	16.21
(viii) Dies and Moulds	11.31	11.31
iii) Assets above include those acquired from Escorts Mahle Limited.		
iv) Plant and Machinery also includes self constructed machinery.		
v) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.		
vi) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.		
vii) All assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.		



SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes on Accounts (Contd.)

d) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.

e) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other directly attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years.

Software is amortized over a period of 5 years.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary, in the value of the investments.

h) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools: Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

Constructed Tools: Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

Work-in-progress, finished and trading goods: At cost or net realisable value, whichever is lower. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.

Reusable scrap: At net realisable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

b) Job work:

Income from job work is accrued when right of revenue is established, which relates to effort conducted.

c) Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

d) Dividends:

Dividend income is recognised when the shareholders' right to receive payment is established.

e) Commission:

Commission income is accounted when the same is due as per the agreed terms.

f) Export benefits/incentives:

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of exports made.

g) Management fee:

Income from management fee is recognized as per the terms of the agreement based upon the services rendered.

j) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside

**SCHEDULES 1-24 (Contd.)****Schedule 24 : Notes on Accounts (Contd.)**

India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

k) Retirement and other employee benefits

- (i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners,
- (ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year.
- (iii) Liability for leave encashment is determined on the basis of company policy and recorded on the basis of valuation by an independent actuary at the end of the financial year.
- (iv) Superannuation Benefit

The company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

l) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. Segmental information

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components. The Company operates in one geographical segment and thus the disclosure requirement of Accounting Standard (AS-17) is not applicable.

4. Related party disclosure

During the year, the Company has entered into transactions with related parties.

Names of related parties:

- i) Enterprises owned or significantly influenced by key management personnel or their relatives
 - AN Enterprises Pvt Ltd
 - An-Net Infotech Ltd
 - Escorts Farms Ltd
 - Hari Raj Investments & Consultants Pvt Ltd
 - GI Insurance Services Limited
 - Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited)
 - Akme Projects Limited
 - GI Power Corporation Limited (upto October 12, 2005)
- ii) Key managerial personnel and their relatives
 - Mr Anil Nanda
 - Mr Arun Anand
 - Mrs Renu Anand (wife of Mr. Arun Anand)
- iii) Co venturers
 - Federal Mogul Vermögensverwaltungs GmbH, Germany
 - Joint Investments Private Limited
- iv) Associates
 - GI Power Corporation Limited (w.e.f. October 13, 2005)
 - GTZ Securities Limited
- v) Subsidiaries
 - Goetze TP (India) Limited
 - Satara Rubber and Chemicals Limited

Those transactions along with related balances as at March 31, 2006 and 2005 and for the years then ended are presented in the following table:



GOETZE (INDIA) LIMITED

	Coventurers						Subsidiaries						Associates						
	Federal Mogul Vermögensverwaltungs GmbH, Germany		Joint Investments Pvt. Ltd		Total		Goetze TP (India) Ltd.		Sataru Rubber and Chemicals Ltd.		Total		G. J Power Corporation Ltd.		GTZ Securities Ltd.		Total		
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Sales	(60.62)	-	-	-	(60.62)	-	(1469.65)	(1046.78)	-	-	(1469.65)	(1046.78)	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	200.12	27.52	-	-	200.12	27.52	1902.50	1309.68	-	-	1902.50	1309.68	-	-	-	-	-	-	-
Dividend received	-	-	-	-	-	-	(122.40)	-	-	-	(122.40)	-	-	-	-	-	-	-	-
Purchase of fixed asset	1120.20	-	-	-	1120.20	-	-	-	-	-	-	-	-	9.53	-	-	-	-	9.53
Management fee received	-	-	-	-	-	-	(36.85)	(32.21)	-	-	(36.85)	(32.21)	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	(767.20)	(397.18)	-	-	(767.20)	(397.18)	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-	-	-	-	-	-	(677.00)	(874.47)	-	-	-	(677.00)	(874.47)
Fund paid	-	-	-	-	-	-	(4358.79)	(2552.56)	-	-	(4358.79)	(2552.56)	(678.63)	(878.22)	-	-	-	(678.63)	(878.22)
Fund received	-	-	-	-	-	-	3453.79	-	-	-	3453.79	-	-	-	-	-	-	-	-
Operating expenses (shared) recovered	-	-	-	-	-	-	276.36	237.51	-	-	276.36	237.51	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	(201.40)	(155.64)	-	-	(201.40)	(155.64)	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	3.51	-	-	3.51	-	9.37	-	-	-	-	9.37	-
Loans taken	-	-	215.90	374.00	215.90	374.00	-	-	1500.00	-	1500.00	-	-	-	-	-	-	-	-
Loans given	-	-	(215.00)	(374.00)	(215.00)	(374.00)	-	(1982.64)	-	(1982.64)	-	(1982.64)	-	(40.00)	(40.70)	-	(40.00)	(40.70)	
Sale of investment	-	-	-	-	-	-	-	-	-	-	-	-	(33.84)	-	-	-	(157.40)	-	
Purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-	34.00	-	-	-	157.56	-	
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent expense	-	-	48.00	48.00	48.00	48.00	-	30.00	19.50	30.00	19.50	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	(32.40)	(32.40)	-	(32.40)	(32.40)	-	-	-	-	-	-	-	-
Interest expense	-	-	-	2.47	-	2.47	-	3.06	-	3.06	-	-	-	-	-	-	-	3.89	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	-	-	-	-	-	-	1500.00	1500.00	1500.00	1500.00	-	1170.00	1170.00	-	-	1170.00	-	-
Royalty expense	462.96	397.95	-	-	462.96	397.95	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	1020.00	1020.00	201.00	201.00	1221.00	1221.00	1138.61	1138.45	46.15	46.15	1184.76	1184.60	
Balance outstanding as at the year end	(318.69)	0.70	2.90	-	(315.79)	0.70	(1867.28)	(1640.35)	470.95	-	(1396.33)	927.50	0.01	14.13	0.70	40.70	0.71	54.83	



(Rs. in Lacs)

Key managerial personnel and their relatives *
(see note below)

	Mrs Renu Anand		Total		AN -Enterprise Pvt. Ltd		Escorts Farms Ltd		Hari Raj Investments & Consultants Pvt Ltd		GI Insurance Services Limited		Gossini Fashion Limited		Earlier AN-GIP Leather (India) Limited		Total		
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	
	Enterprises owned or significantly influenced by key management personnel and their relatives																		
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-	-	-	-	-	-	988.09	1077.72	988.09	1077.72	-	-
Dividend received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management fee received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.91)
Fund received	-	-	-	-	-	-	-	-	-	-	-	-	-	1075.96	1045.00	1075.96	1045.00	-	-
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.84
Loans taken	-	-	-	-	-	-	-	1846.17	-	467.00	-	9.50	-	-	-	-	-	-	2313.17
Loans given	-	-	-	-	-	-	-	(1957.17)	-	(467.00)	-	(9.50)	-	-	-	-	-	-	(2424.17)
Sale of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	(2.12)	-	-	-	-	-	-	-	-	-	-	(2.12)
Rent expense	25.44	19.44	25.44	19.44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	13.85	-	-	-	0.27	-	-	-	-	-	-	13.85
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29.47)
Guarantees given / (obtained)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59.18)
Royalty expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the year end	-	-	-	-	-	-	-	2.12	102.83	-	-	-	-	57.70	35.89	-	-	-	60.06

* The remuneration paid to directors is disclosed elsewhere in the notes to the accounts.



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 TO ACCOUNTS (Contd.)

Schedule 24 : Notes on Accounts

5. Leases

	Year ended 31.03.06 (Rs. Lacs)	Year ended 31.03.05 (Rs. Lacs)
a) Lease payments for the period	30.00	19.50
Minimum Lease Payments:		
b) Not later than one year	30.00	30.00
c) Later than one year but not later than five years	150.00	150.00
d) Later than five years	33.00	63.00

6. Capital Commitment

Estimated amount of contract remaining to be executed on capital account and not provided for

Particulars	Year ended 31.03.06 (Rs. Lacs)	Year ended 31.03.05 (Rs. Lacs)
Capital commitment	2,919.24	2,240.15

7. Contingent liabilities not provided for:

Particulars	Year ended 31.03.06 (Rs. Lacs)	Year ended 31.03.05 (Rs. Lacs)
a) Bank Guarantees	133.17	112.22
b) <i>Claims/notices contested by the company</i>		
i) Excise duty	433.54	325.86
ii) Sales Tax	97.62	197.30
iii) ESI Cases	75.25	39.34
iv) Employee Related Cases	61.23	13.00
v) Electricity Demand	52.24	56.87
vi) Income Tax Demands	361.09	123.68
vii) Consumer Cases	60.91	60.91

c) The company has given corporate guarantees as follows:

- On behalf of GI Power Corporation Ltd. (GIPCL) to Indian Renewable Energy Development Agency Ltd. (IREDA) upto Rs. 1,170 Lacs (Previous Year Rs. 1,170 Lacs) for term loans granted by IREDA. Rs. 368.55 Lacs (Previous Year Rs. 532.35) of Term Loans are outstanding with GIPCL.
- On behalf of Satara Rubber & Chemicals Limited to Yes Bank for the term loan of Rs. 1,500 Lacs (Previous Year Rs. Nil) granted by Yes Bank.
- On behalf of Satara Rubber & Chemicals Limited to Standard Chartered Bank for the term loan of Rs. Nil (Previous Year Rs. 1500) granted by Standard Chartered Bank.

- d) i) The company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs. 1.5 Lacs.
- ii) Undertaking:
In respect of the loans taken by GIPCL from IREDA, for its Wind Farm Power Project in Madhya Pradesh and Karnataka, the company has given undertakings for non-disposal of shares held in GIPCL and for giving corporate guarantee in the event of default in payment of dues by GIPCL.
- e) In relation to b (i) above Excise Duty cases contested by the company comprise of:
- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 Lacs.
- ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.5.83 Lacs.
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lacs.
- iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/ Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 55.33 Lacs.
- v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. Amount involved Rs. 39.95 Lacs.
- vi) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2002-2003 to 2005-2006. Amount involved Rs. 12.16 Lacs.
- vii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 14.02 Lacs.
- viii) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 Lacs.
- ix) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period



2001-2002 to 2004-2005. The company has taken legal opinion in this regard and is confident of success. Amount involved is Rs.223.26 Lacs.

- f) In relation to b (ii) Sales Tax cases contested by the company comprise of:
- i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The amount involved is Rs. 59.23 Lacs.
- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs. 38.39 Lacs.
- g) In relation to b (iii) above Employee State Insurance claims comprise of:
- i) In respect of demand from Employee State Insurance, relating to non deposit of employee state insurance on certain employee related expenses pending with the Assessing Officer for the period 1990-1991 to 2005-2006. Amount involved is Rs.59.70 Lacs.
- ii) In respect of demand from Employee State Insurance, relating to non-deposit of employee state insurance pending in ESI Court for the period 1989-1990 to 2004-2005. Amount involved is Rs. 15.55 Lacs.
- h) In relation to b (iv) above Employee related cases comprise of:
- i) Claims against the Company not acknowledged as debt, in respect of demands raised by the workers pending at Karnataka High Court for the period 1999-2000. Amount involved is Rs. 61.23 Lacs.
- ii) In relation to b (v) above Electricity demand relates to:
- I) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to avilment of additional load. Amount involved is Rs. 52.24 Lacs.
- iii) In relation to b (vi) above Income Tax cases disputed by the company:
- I) In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The matter is pending with ITAT and company is of the view that it has reasonable chance of success. The amount involved is Rs.110.51 Lacs.
- II) In respect of Assessment Years 2001-02 & 2002-03 certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax Appeals and company is of the view that it has reasonable chance of success. The amount involved is Rs.80.38 Lacs.
- III) In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax Appeals and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lacs.
- For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.
- k) In relation to b (vii) above Consumer cases filed against the company:
- I) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the company relating to defective goods for the period 1995-1996. Amount involved is Rs. 60.91 Lacs.
8. a) During the year, the company based on technical evaluation and usability study has written off / discarded fixed assets, written down value of which amounts to Rs. 875.90 Lacs (Gross value Rs. 1,958.22 Lacs).
- b) Fixed assets and Capital work in progress under Schedule 5 include Rs. 800 Lacs representing certain machineries constructed by the company during the year, for which cost records are incomplete to enable ascertaining appropriateness of amounts capitalized. Management is in process of preparing these details and is of the opinion that no material adjustment shall arise once these records are complete.
9. Pursuant to management reassessment of transfer of risk and rewards on sale of goods, it has derecognized sales of Rs. 3,899.42 Lacs and reversed stock amounting to Rs. 2,943.62 Lacs in its books.
10. The Company has a vegetable oil division at Alwar (Rajasthan). The Company discontinued production in this division in 1999. During the year ended June 30, 2000, plant and machinery (cost as on June 30, 1999 Rs. 1,017.33 Lacs and accumulated depreciation Rs. 309.54 Lacs) was retired from active use and were reclassified as assets held for sale. These assets were valued at Rs. 525 Lacs, being lower of the written down value (Rs. 707.79 Lacs) or net realizable value (Rs. 525 Lacs). Due to its inability to sell the assets management made provision for impairment losses of Rs. 250 Lacs during the year ended March 31, 2005.
- During the current year, the management has made a further provision of Rs. 258.07 Lacs in the absence of buyers for the said assets, leaving a balance of Rs 16.93 Lacs as net realizable value of these assets.
11. (i) Payments made to Directors :

	Year ended, 31.03.2006 Rs. in Lacs	Year ended, 31.03.2005 Rs. in Lacs
(a) Salaries	120.00	102.00
(b) Commission	-	190.00
(c) Contribution to Provident, Superannuation and Gratuity Funds	44.65	39.50
(d) Other Perquisites	15.01	9.55
(ii) Directors Sitting Fees	1.95	1.05
12. Computation of Net profit in accordance with section 198 of the companies Act, 1956 for calculation of managerial remuneration:		
Profit as per profit and loss account:	*-	3251.73
Add: Director's remuneration including perquisites	-	342.10
Loss on sale of assets/investments	-	33.77
Diminution in the value of fixed assets held for disposal -	-	250.00
Depreciation charged in accounts	-	2674.05
Total	-	6551.65
Less: depreciation as per section 350 of the Companies Act, 1956	-	(2674.05)
Profit on sale of long term investments	-	(44.75)
	-	3832.85
Maximum Remuneration payable to Whole time director	-	383.28



GOETZE (INDIA) LIMITED

* See Note (b) below.

Note:-

- a) Personnel expenses and Operating and other expenses under Schedule 18 and 19 include Rs. 101 Lacs and Rs. 12.80 Lacs respectively towards director remuneration. This amount is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management is preparing necessary application to obtain necessary approval by the Central Government and has confirmation from the directors that they shall refund the amounts in the event of such approvals being refused.
- b) As stated above and also in absence of any commission being paid, current year information under Note No. 12 has not been given.
13. The company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on March 31, 2006 is as under:

Particulars of Derivatives	Purpose
Outstanding Forward contracts	
Buy	
USD 8.5 Lacs	Hedge of repayment of borrowings.

The amount of foreign currency exposure that are not hedged by a derivative instrument or otherwise as on March 31, 2006:

Particulars	Amount (INR)	Foreign Currency
Borrowings	222754431.90	4966654 USD
Borrowings	28137410.00	627367 USD
Borrowings	3898199.60	71161 EURO
Debtors	451381882.00	1064256 USD
Debtors	4385139.00	80050 EURO
Debtors	7722564.00	98189 GBP

14. Information pursuant to paragraphs 3 and 4 of Part II of Schedule VI of the Companies Act, 1956.

(i) (a) Licensed and Installed Capacity and Actual Production :

	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos)	Delicensed	54960000 (50949360)	43,350,875 (40,813,485)
Pistons (Nos)	"	12912000 (9137580)	7,926,944 (8,055,224)
Pins (Nos)	"	10764000 (9180000)	8,669,676 (9,026,289)
Cylinder Liners (Nos)	"	360000 (360000)	459,373 (459,171)
Light Alloy Cylinders (Nos)	"	207250 (207250)	212,500 (161,306)
Valve Train Components (Nos.)	"	27000000 (16200000)	19,183,259 (14,027,713)
Structural Components (Nos.)	"	28000000 (20000000)	3,318,874 (2,032,505)

* Installed Capacity as certified by Managing Director & CEO.

Note: Figures in brackets pertains to previous year

(b) Particulars of Opening Stock, Closing stock and turnover

	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity	Value Rs.Lacs	Quantity	Value Rs.Lacs	Quantity	Value Rs.Lacs
Piston Rings (Nos)	5957754.00 (5831791.00)	1692.30 (1556.35)	7849419.00 (5957754.00)	2,690.28 (1692.30)	41459210.00 (40687522.00)	17501.69 (17041.32)
Pistons (Nos)	693106.00 (527480.00)	1517.18 (1188.98)	967497.00 (693106.00)	3363.08 (1517.18)	7652553.00 (7889598.00)	24630.50 (24040.95)
Pins (Nos)	817564.00 (566417.00)	266.11 (222.60)	989645.00 (817564.00)	392.17 (266.11)	8497595.00 (8775142.00)	2423.28 (3095.08)
Cylinder Liners (Nos)	31949.00 (56887.00)	123.70 (114.08)	52118.00 (31949.00)	114.98 (123.70)	439204.00 (484109.00)	826.86 (1006.25)
Light Alloy Cylinders (Nos)	2976.00 (9774.00)	15.81 (44.35)	10880.00 (2976.00)	50.26 (15.81)	204596.00 (168104.00)	1127.49 (965.37)
Valve Train Components (Nos)	461046.00 (465569.00)	27.37 (35.81)	1075277.00 (461046.00)	109.88 (27.37)	18569028.00 (14032236.00)	2045.21 (1674.43)
Structural Components (Nos)	28464.00 (33573.00)	7.07 (5.20)	60376.00 (28464.00)	10.52 (7.07)	3286962.00 (2037614.00)	969.16 (707.65)
Miscellaneous		33.77 (59.87)		78.30 (27.70)		594.19 (385.17)

Notes: 1. Sales value excludes scraps, samples and quantity discount.
2. Figures in Brackets pertain to previous year.


SCHEDULES 1-24 (Contd.)
Schedule 24 : Notes on Accounts (Contd.)
(ii) Trading Operations:

	Purchases		Closing Balances		Sales	
	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs
Leather Products (Nos.)	57279.00 (39096.00)	985.59 (1074.70)	- (-)	- (-)	57279.00 (39096.00)	985.59 (1074.70)
Leather (Sq.Ft.)	198.00 (2853.00)	0.13 (3.02)	- (-)	- (-)	198.00 (2853.00)	0.13 (3.02)
Cylinder Liners (Nos)	35567.00 (21304.00)	73.02 (10.95)	5253.00 (6062.00)	9.71 (6.07)	36376.00 (20732.00)	116.54 (11.83)
Engineering Goods	11365.00 (72383.00)	13.29 (90.16)	- (-)	- (-)	11365.00 (72383.00)	13.29 (90.16)
Misc Goods	3307.00 (-)	2.37 (-)	- (-)	- (-)	3307.00 (-)	2.37 (-)

Note: Figures in brackets pertain to previous year.

	Unit	For the year ended 31.03.2006		For the year ended 31.03.2005	
		Quantity	Rs. Lacs	Quantity	Rs. Lacs
(iii) Details of Raw Materials Consumed:					
a) Pig Iron	M.Ton	3095	536	2910	541
b) Alloys	M.Ton	269	411	251	275
c) Chromic Acid	M.Ton	84	81	61	48
d) Aluminum	M.Ton	3901	4105	4016	3773
e) Steel Strips	M.Ton	94	176	12	117
f) Pin .Steel	M.Ton	3107	1944	2380	1421
g) Silicon	M.Ton	632	561	671	568
h) Magnesium	M.Ton	72	62	70	72
i) Nickel	M.Ton	104	748	93	668
j) Iron Powder	M.Ton	375	195	303	132
k) Steel Powder	M.Ton	50	310	42	155
l) Copper Powder	M.Ton	57	141	27	58
m) Distalloys	M.Ton	107	123	84	67
n) Others			4061		1517
Total			13454		9412
(iv) C.I.F. Value of Imported items:					
(a) Raw Materials			1779.72		1960.38
(b) Spare Parts & Components			665.28		436.09
(c) Capital Goods			2187.64		2226.35
(v) Expenditure in Foreign Currency (on payment basis):					
(a) Travelling Expenses			55.65		40.27
(b) Commission on Sales			14.17		5.95
(c) Royalty			421.07		229.87
(d) Technical Knowhow			85.90		36.06
(e) Sales Promotion			-		1.89
(vi) Imported and Indigenous Raw Materials and Components Consumed:					
		Rs.lacs	Percentage	Rs.lacs	Percentage
(a) Indigenous		11010.00	81.84	7485.02	79.51
(b) Imported		2443.81	18.16	1928.42	20.49
		13453.81	100.00	9413.45	100.00
(vii) Imported & Indigenous Stores, Spares and Tools Consumed					
(a) Indigenous		6145.86	92.93	3926.80	88.65
(b) Imported		467.80	7.07	502.55	11.35
		6613.66	100.00	4429.35	100.00
(viii) Remittance in foreign currency on account of dividend:					
		No. of shares held	No. of non-resident share-holders	Amount (Rs. Lacs)	Amount (Rs. Lacs)
2003-04 - Equity Shares (net of tax)		6439437	1		193.18
2004-05 - Equity Shares (net of tax)		6439437	1		257.58
(ix) Earnings in Foreign currency Export on FOB basis					
				2887.64	2672.73



GOETZE (INDIA) LIMITED

SCHEDULES 1-24 (Contd.)

Schedule 24 : Significant Accounting Policies and Notes on Accounts (Contd.)

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

I. Registration Details

Registration No. C - 2 4 5 2

State Code 5 5

Balance Sheet Date 3 1 0 3 2 0 0 6
Date Month Year

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

Public Issue

-

Rights Issue

-

Bonus Issue

-

Private Placement

-

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

Total Liabilities

4 9 0 8 2 1 1

Total Assets

4 9 0 8 2 1 1

Sources of Funds

Paid-up Capital

2 5 2 8 7 5

Reserves & Surplus

7 5 9 2 6 5

Secured Loans

3 2 9 4 2 4 2

Unsecured Loans

6 0 1 8 2 9

Application of Funds

Net Fixed Assets

3 2 8 7 3 5 8

Investments

2 2 4 3 4 0

Net Current Assets

1 3 5 0 0 9 3

Accumulated Losses

4 6 4 2 0

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

Total Income

4 6 6 0 2 0 4

Total Expenditure

5 0 3 8 9 8 5

+ - Profit/Loss before Tax
+ 4 2 4 4 8 1+ - Profit/Loss after Tax
+ 5 0 5 5 5 5

Earning Per Share in Rs.

-

Dividend Rate %

-

V. Generic Names of Three Principal Products of Company

Item Code No. 8 4 0 9 9 1 . 0 5

Product Description P I S T O N R I N G S

Item Code No. 8 4 0 9 9 1 . 0 4

Product Description P I S T O N S

Item Code No. 8 4 0 9 9 1 . 0 9

Product Description E N G I N E P A R T S - P E T R O L

**SCHEDULES 1-24 (Contd.)****Schedule 24 : Notes on Accounts (Contd.)**

15. The list of Small Scale Industrial Undertakings to whom the Company owes for more than 30 days is as under:

Name of the SSI Undertaking	Name of the SSI Undertaking
Arti Spring & Rings Ind. (P) Ltd.	Dhawan Enterprise
Arun & Co.	Mahajan Packaging Industries
Balaji Industries	Navketan Fasteners Private Limited
Cauvery Containers (P) Ltd.	Patiala Packing Industries
Devaki Reinforced Plastics	Rajpal Industries
Gananath Offset Printers	Tinchem Enterprises.
Giliyal Industries	S.V.Packaging
Halidon Industries	Shilpa Latex Products
In-com	Shree Pla Private Limited
Indome Appliance Co.	Star Circlips & Engineering Limited
Jai Suprabha Protective Products (P)	Sujatha Hydraulics
Miniature Electronic & Allied	Sumuka Packaging Industries
Namitter Industries	Sunikh Precision (P) Ltd.
Peenya Fine Comp (P) Ltd.	V.R.S. Graphite Electronics
Perfect Springs Private Limited	Vaishnavi Packaging Pvt. Ltd.

16. Previous Year figures have been regrouped and rearranged wherever necessary to make these comparable.

For S.R.Batliloi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary



GOETZE (INDIA) LIMITED

Statement regarding subsidiaries pursuant to Section 212 of the Companies Act, 1956

1. Name of the Subsidiary Company	Goetze TP (India) Limited	Satara Rubber & Chemicals Limited
2. Financial Year of the Subsidiary Companies ended on	31 st March 2006	31 st March 2006
3. Holding Company's Interest	Holders of 51,00,000 Equity Shares out of the Subscribed and Paid up Capital of the 1,00,00,000 Equity shares of Rs.10/- each (51%)	Holders of the entire 50,000 Equity shares of Rs. 10/- each fully paid up. (100%)
4. Net Aggregate amount of Profit Less Losses of the subsidiary Companies so far as it concerns the Members of Goetze (India) Ltd.		
a] Not dealt with in the Accounts of Goetze (India) Ltd.		
i) for the subsidiary's financial year above referred	Rs. 176.69 Lacs	Nil
ii) for previous financial years of subsidiary since it became subsidiary of Goetze (India) Ltd.	Rs. 40.76 Lacs	Nil
b] Dealt with the Accounts of Goetze (India) Ltd.		
i) for the subsidiary's financial year above referred	Nil	Rs. (88.72) Lacs
ii) for previous financial years of subsidiary since it became subsidiary of Goetze (India) Ltd.	Nil	Rs. (37.97) Lacs

ARUN ANAND
Managing Director & CEO

RAINER JUECKSTOCK
Director

M.M. SABHARWAL
Director

RAJAN LUTHRA
Financial Controller & Company Secretary

Place: New Delhi
Date: 30th June, 2006

**CASHFLOW STATEMENT**

	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after exceptional item but before tax	(4244.81)	3251.73
Adjustments for:		
Depreciation and amortisation	3417.02	2674.05
Loss on sale / discard of fixed assets (net)	108.67	33.77
Provision for obsolescence of fixed assets	875.91	-
Loss on sale of trade investments	2.40	-
Provision for doubtful debts	19.72	-
Advances written off	19.27	-
Provision for diminution in the value of investments	182.84	-
Interest income	(75.18)	(179.79)
Dividend income	-	(122.40)
Interest expense	3226.00	2663.07
Provision for impairment of assets held for sale	258.07	250.00
Excess provision written back	(116.54)	(23.61)
Miscellaneous expenditure written off	2976.70	919.29
Operating profit before Working Capital changes	6650.07	9466.11
Movements in working capital :		
Decrease / (Increase) in sundry debtors	2114.64	197.16
Decrease / (Increase) in current assets	41.44	(20.80)
Decrease / (Increase) in inventories	(3784.58)	(2140.71)
Decrease / (Increase) loans and advances	63.70	(509.97)
Increase / (Decrease) in current liabilities	1423.82	273.13
Cash generated from operations	6509.09	7264.92
Direct taxes paid (net of refunds)	(409.09)	(353.65)
Net Cash From Operating Activities	6100.00	6911.27
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets/ Intangibles Assets	(4542.49)	(5339.41)
Proceeds from sale of fixed assets	(43.57)	62.83
Purchase of investments	(157.56)	(1201.00)
Sale / maturity of investments	654.18	1823.49
Interest received	67.77	179.79
Dividends received	-	122.40
Net Cash from Investing Activities	(4021.67)	(4351.90)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Miscellaneous expenditure paid during the year	(888.62)	(1238.41)
Movement in borrowings	3261.23	2054.29
Interest paid	(3233.23)	(2663.07)
Dividends paid	(1011.50)	(758.63)
Tax on dividend paid	(132.19)	(97.20)
Net cash used in financing activities	(2004.31)	(2703.02)
Net Increase in Cash and Cash Equivalents (A + B + C)	74.02	(143.65)
Cash and Cash Equivalents at the Beginning of the Year	146.12	289.77
Cash and Cash Equivalents at the end of the Year	220.14	146.12
Components of cash and cash equivalents as at	March 31, 2006	March 31, 2005
	Rs. Lacs	Rs. Lacs
Cash and cheques on hand	11.38	6.94
With banks - on current account	93.77	38.31
- on unclaimed dividend account	34.36	70.65
- cash credit / overdraft	80.63	30.22
	220.14	146.12

For S.R.Batliloi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary



GOETZE TP (INDIA) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present the Ninth Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rs. in Million)

	For the year ended 31.03.2006		For the year ended 31.03.2005
Total Income			
Gross Sales	569.32		468.49
Deduct: Excise Duty	78.61		65.43
	490.71		403.06
Business and other Income	0.54	491.25	0.61
Profit before Depreciation and Interest		91.41	87.00
Deduct:			
Depreciation		22.41	22.18
Interest & Finance Charges		13.13	12.25
Net Profit before Tax		55.87	52.57
Provision for tax			
- Current		5.30	4.43
- Deferred		13.48	15.39
- Fringe Benefit		2.45	—
Profit after Tax		34.64	32.75
Profit brought forward		7.99	2.37
Net profit available for appropriation		42.63	35.13
Appropriations :			
Dividend - Preference @ 6%		6.00	24.00
Tax on Dividend		0.84	3.13
Surplus carried to Balance Sheet		35.79	7.99

Financial Performance

During the year 2005-06, the Gross Turnover of the Company was increased to Rs. 569.32 million from Rs. 468.49 million as compared to last year showing a growth of 21.52%. Profit before Tax also showed a marginal growth of 6%. The Profits margins were low as compared to the sales growth due to higher manufacturing cost which was the resultant of increase in the prices of raw materials. The Company is constantly trying to implement cost effective techniques to reduce its expenditure.

Operations

The growth in the motorcycle segment during the year has been extremely robust, and the customers of Goetze TP have also shown commendable growth rates, which are higher than, the industry average. The Industry depicted a major shift from two stroke engines to four stroke engines due to the new emission norms. The GTP products cater to such demand in the industry and therefore the Company foresees bright prospects for the financial year 2006-07

Dividend

In view of profits your Directors are pleased to recommend dividend @6% on the Cumulative Redeemable Preference Shares for the year 2005-06. The total outflow on account of final dividend, if approved, will be Rs. 6.84 million [including dividend tax of Rs. 0.84 million]. In order to conserve the resources of the Company for business expansion your Directors do not recommend any dividend on the equity shares.

Personnel

The particulars of employees, as required under

Section 217(2A) of the Companies Act, 1956 are given as an Annexure to this report.

Directors

Mr. Anil Nanda, the Chairman and Director who had been associated with the Company since inception resigned from the Board with effect from 20th June 2006. Mr. Anil Nanda's contribution to the success of the Company was exemplary and the Directors place on record their appreciation for his guidance and support during the tenure of his Directorship.

The casual vacancy caused by the resignation of Mr. Anil Nanda was filled up by Mr. Andreas Kolf, Executive Director-Operations, Goetze (India) Limited with effect from 29th June 2006. Mr. Andreas Kolf worked as the Global Sales Director, Engine Bearings in Federal-Mogul GmbH, Germany before being appointed in Goetze (India) Limited.

In view of the resignation of Mr. Anil Nanda as the Chairman and Director, Mr. Arun Anand has been appointed as the Chairman of the Board with effect from 29th June 2006.

In accordance with Articles of Association of the Company, Dr. Brian L. Ruddy, Director is liable to retire by rotation and, being eligible, offers himself for re-appointment.

Mr. Andreas Kolf, Director is liable to retire by rotation in place of Mr. Anil Nanda and, being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record that:

- In preparing the Annual Accounts, all applicable

accounting standards have been followed and that there have been no material departures;

- The accounting policies are adopted and consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of financial year and of the Profit & Loss Account of the Company for the Financial Year;
- 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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

Audit Committee

Mr. Andreas Kolf had been inducted as a member of the Audit Committee with effect from 29th June 2006 in place of Mr. Mohan Narayanan, Executive Director. The Committee now comprises of Mr. Arun Anand, the Chairman of the Committee, Dr. Brian L. Ruddy, Mr. Hiroshi Takano and Mr. Andreas Kolf, Members. The Audit Committee met on 7th May 2005 to consider and approve the annual accounts for the financial year 2004-05 and on 13th October 2005 to review the half yearly performance of the Company for the year 2005-06

Auditors

M/s S.N. Dhawan & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming



Annual General Meeting and being eligible, after themselves for re-appointment. They have certified that the re-appointment, if made, will be in accordance with sub-section (1B) of section 224 of the Companies Act, 1956.

Public Deposits

The Company has not accepted any Fixed Deposits from the public.

Safety, Health and Environment Protection

The Company is committed to protect the Environment and safety of our employees and those associated with us. We strive to be environmentally responsible Company by developing safe, efficient and environmentally conscious products and manufacturing processes. The Company ensures the due compliance of all environmental laws, emission norms etc., recycling of effluents and timely removal of wastes and residues.

Industrial Relations

The industrial relations in the Company remained cordial and harmonious throughout the year.

Conservation of Energy & Technology Absorption

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

Acknowledgement

Your Directors would like to express their appreciation for the support and cooperation of its promoters Teikoku Piston Ring Company Ltd., Federal-Mogul Corporation and Goetze [India] Ltd and in particular wish to place their deep sense of appreciation for the commitment and enthusiasm of its employees and the support of Banks, customers, dealers, suppliers and other business associates.

For and on behalf of the Board

Arun Anand
Chairman

29th June 2006

Annexure to the Directors' Report

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

A. CONSERVATION OF ENERGY

Continued efforts were made to effect improvements to production processes resulting in reduced energy consumption. Following are a few among them.

1. Elimination of non-value added activities and combining of processes have resulted in reduction in energy consumption.
2. Productivity improvement has also resulted in reduction of energy consumption

This has resulted in the reduction of energy consumption.

Additional Investment and Proposals for reduction in Energy Consumption:

1. Projects taken up to recover the heat energy from the exhaust flue gas of Gas Nitriding furnace and to use it for surface treatment plant for drying the piston rings.
2. Shop forced, filtered air ventilation system has been controlled with timing device to switch off the system during Lunch and interval timings to save the energy.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

1. Specific areas in which the Company carried out the R&D

1.5 mm oil rings for bi wheeler rings

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

The Company has obtained business from Bajaj and HMSI.

3. Future plan of action

The Company expects Passenger car business from SMC Maruti and Daihatsu. Stringent manufacturing processes are required for this business, which the Company is updating.

4. Expenditure on R&D

- Capital - Nil
- Recurring - Rs. 2.95 lacs
- Total - Rs. 2.95 lacs
- Total R& D Expenditure as a percentage of total turnover – 0.05%

Technology absorption, adaptation and innovation

1. Technology absorption measures taken by the Company and benefits there from:

The Company has successfully absorbed the technology for the manufacture of piston rings conforming to Euro I, II & III standards for Gasoline/Diesel/CNG applications.

2. Import of Technology

Technology for	Imported from	Year	Status
Designs and technical know how for manufacturing steel compression and oil control piston rings	Teikoku Piston Ring Company Ltd. Japan	2005-2006	Continuous flow of technology in the form of technology upgrades and processes for new products

C. FOREIGN EXCHANGE EARNING AND OUTGO

- There were no exports during the year.
- Foreign exchange earnings- Nil
- Foreign exchange outgo – Rs. 91.48 million

Information as per section 217(2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules,1975 and forming part of the Directors' Report for the year ended 31st March 2006.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Last employment Held
A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 per annum.								
1	NARAYANAN MOHAN	55	BSc, MBA	33	21.05.1997	Executive Director Overall management of the Company	2,767,715/-	Goetze (India) Limited
B. Employed for a part of the year and in receipt of remuneration not less than Rs. 200,000/- per month							Nil	

Notes: 1. Remuneration includes salary, performance award actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
2. All appointments are contractual.



AUDITORS' REPORT

To The Members of Goetze TP (India) Limited

1. We have audited the attached Balance Sheet of Goetze TP (India) Limited as at 31st March, 2006, the Profit and Loss Account and also the Cash Flow Statement 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - ii. In the case of the Profit and Loss Account, of the profit 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 S. N. Dhawan & Co.
Chartered Accountants

Suresh Seth
Partner

Place : New Delhi
Dated: 29th June, 2006

Membership No. 10577

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF GOETZE TP (INDIA) LIMITED FOR THE YEAR ENDED 31st MARCH, 2006.

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items of furniture and fixtures where records are maintained for group of similar assets and not for each individual asset.

- (b) According to information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of 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) In our opinion and according to information and explanations given to us the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and book records were not material.
- iii) The Company has neither granted nor taken any loans secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, Clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
 - (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.
 - (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs entered during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- v) The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- vii) The Company did not have a formal Internal Audit System during the year under review. As explained, the Company has internal control procedures which involve reasonable internal checking and are considered adequate under the circumstances. However, in our opinion the Company should institute a formal internal audit procedure considering the size of the Company and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of auto-ancillary products and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales

Tax, Wealth Tax, Customs Duty, Excise Duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess, which have not been deposited on account of any dispute except as follows:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Finance Act, 1994	Service Tax and Penalty	10,05,484	1998-2000	Appellate Authority
Central Excise Act, 1944	Excise Duty	4,18,649	2000-2005	CESTAT

- x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xi) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xv) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which they were obtained.
- xvi) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xvii) 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.
- xviii) The Company has not issued any debentures during the year. Therefore provisions of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
- xix) The Company has not raised any money by public issue during the year under review.
- xx) To the best of our knowledge and belief and according to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. N. Dhawan & Co.
Chartered Accountants

Suresh Seth
Partner

Place : New Delhi
Dated: 29th June, 2006

Membership No. 10577



BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 (Rupees)	As at 31.03.2005 (Rupees)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	200000000	200000000
Reserves & Surplus			
Surplus as per Profit & Loss Account		35795996	7992980
Loan Funds			
Secured Loans	2	226899770	191236561
Unsecured Loans	3	42453541	40641768
Deferred Tax Liabilities(Net) (Refer Note 8 of Schedule 12)		37570431	24094818
Total		542719738	463966127
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	303312017	294706298
Less: Depreciation		110165555	87757255
Net Block		193146462	206949043
Capital Work in Progress		4706270	2099780
		197852732	209048823
Current Assets, Loans and Advances			
Current Assets			
Inventories	5	111733884	62766920
Sundry Debtors		240352879	219569899
Cash and Bank Balances		7656259	177787
		359743022	282514606
Loans and Advances	6	24070141	10121676
		383813163	292636282
Less:			
Current Liabilities & Provisions			
Current Liabilities		31783325	27331654
Provisions		7162832	13728334
	7	38946157	41059988
Net Current Assets		344867006	251576294
Miscellaneous Expenditure (Refer Note 16 of Sch.12) (to the extent not written off or adjusted)		—	3341010
Total		542719738	463966127

Significant Accounting Policies and Notes to Accounts 12
Schedule 1-12 Annexed hereto form an integral part
of the Balance Sheet & Profit & Loss Account.

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

BHAVANA KAUSHAL
Company Secretary

ANDREAS KOLF
Director

MOHAN NARAYANAN
Executive Director

Place : New Delhi
Dated: 29th June 2006



GOETZE TP (INDIA) LIMITED

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

Schedule	For the year ended 31.03.2006 (Rupees)	For the year ended 31.03.2005 (Rupees)
Income		
	569324834	468491721
	78606365	65431341
	490718469	403060380
Other Income	8 538656	614945
Total	491257125	403675325
Expenditure		
Material Manufacturing & Operating	9 244043802	203476271
Personnel	10 21997524	18035086
Sales & Administration	11 133799091	95155946
Interest & Finance Charges	13138281	12253296
Depreciation	22408300	22180394
Total	435386998	351100993
Profit before Tax	55870127	52574332
Provision for Taxation		
- Current Tax	5300000	4433702
- Deferred Tax	13475613	15389093
- Fringe Benefit	2450000	—
Profit after Tax	34644514	32751537
Balance from last year brought forward	7992980	2377943
Net Profit available for Appropriation	42637494	35129480
Appropriations		
Interim Dividend - Preference @ 6% (previous year 2001-02 & 2002-03)	—	12000000
Proposed Dividend - Preference @ 6% (Previous year 2003-04 & 2004-05)	6000000	12000000
Tax on Dividend	841500	3136500
Balance carried to the Balance Sheet	35795995	7992980
	42637495	35129480
Earnings per Share (Face value Rs. 10)		
Basic & Diluted Earnings per Share	2.78	0.56
Significant Accounting Policies and Notes to Accounts	12	
Schedule 1-12 Annexed hereto form an integral part of the Balance Sheet & Profit & Loss Account.		

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

BHAVANA KAUSHAL
Company Secretary

ANDREAS KOLF
Director

MOHAN NARAYANAN
Executive Director

Place : New Delhi
Dated: 29th June 2006



Schedules 1-12

Schedule 1: Share Capital

	As at 31.03.2006 (Rupees)	As at 31.03.2005 (Rupees)
Authorised		
1,00,00,000 Equity shares of Rs.10 each (Previous year 1,00,00,000)	100000000	100000000
10,00,000 6% Redeemable Cumulative Preference Shares of Rs.100 each (Previous year 10,00,000)	100000000	100000000
	200000000	200000000
Issued, Subscribed and Paid up		
1,00,00,000 Equity shares of Rs.10 each fully paid up (Previous year 1,00,00,000)	100000000	100000000
10,00,000 6% Redeemable Cumulative Preference Shares of Rs.100 each fully paid (Previous year 10,00,000)	100000000	100000000
	200000000	200000000

Notes:

1. Out of the above, 51,00,000 Equity Shares and 5,10,000 Preference Shares are held by Goetze (India) Limited, the Holding Company.
2. The Redeemable Cumulative Preference Shares are redeemable at par after 5 years from the date of allotment (20th January, 2000) at the option of the Company.

Schedule 2: Secured Loans

Term Loan		
External Commercial Borrowing From Mizuho Corporate Bank Ltd.	135915000	131235000
Working Capital Loan		
From Mizuho Corporate Bank Ltd.	90984770	60001561
Total	226899770	191236561

Notes:

1. The Term Loan and Working Capital Loan are secured by first pari passu charge on all present and future stock-in-trade, Book Debts and other movable assets.
2. The Term Loan includes Rs. 46,80,000 being further liability on US \$3 Million loan due to devaluation of the rupee and is repayable on 6th February, 2007.

Schedule 3: Unsecured Loans

Bank Book Overdraft	42453541	40641768
Total	42453541	40641768

Schedule 4: Fixed Assets

Description	Gross Block (at Cost)			Depreciation			Net Block	
	As at 1st April, 2005	Additions	As at 31st March, 2006	As at 1st April, 2005	For the year	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
Tangible Assets:								
Plant & Machinery	291249820	8589857	299839677	86652045	22206817	108858862	190980815	204597775
Furniture & Fixtures	1831010	15862	1846872	1077162	47064	1124226	722646	753849
Vehicle	1625468	—	1625468	28048	154419	182467	1443001	1597419
Sub-Total	294706298	8605719	303312017	87757255	22408300	110165555	193146462	206949043
Capital Work-in-Progress (Including Capital Advances)	—	—	—	—	—	—	4706270	2099781
Total	294706298	8605719	303312017	87757255	22408300	110165555	197852732	209048824
Previous Year	292451418	2254880	294706298	65576861	22180394	87757254	209048824	



GOETZE TP (INDIA) LIMITED

Schedules 1-12 (Contd.)

Schedule 5: Current Assets

	As at 31.03.2006 (Rupees)	As at 31.03.2005 (Rupees)
Inventories * (As taken, valued and certified by the Management)		
Raw Materials & Components	33119980	26908901
Stores and Spares	19304737	12023098
Loose Tools	—	396383
Work in Progress	2080568	2826490
Finished & Trading Goods	57228599	20612048
Total	111733884	62766920
* Includes In Transit	4819035	4824463
Sundry Debtors		
Debts outstanding for over six months		
Unsecured - considered good	45041651	3382629
Other Debts		
Unsecured - considered good	195311228	216187270
	240352879	219569899
Balance due from Companies under the same Management-Goetze (India) Ltd.	186728470	164035343
Cash and Bank Balances		
Cash in hand	225	1212
Balances with Scheduled Banks		
-on Current Account	7456034	176575
-on Fixed Deposit (pledged with Central Excise Authorities)	200000	—
	7656259	177787
Total	359743022	282514606

Schedule 6: Loans & Advances (Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	23246622	9646657
Security Deposits	76000	77500
Advance Income Tax (Net of Provision)	747519	397519
Total	24070141	10121676

Schedule 7: Current Liabilities and Provisions

Current Liabilities		
Sundry Creditors :		
Others	23472806	17541086
*Small Scale Industrial Undertakings:	752578	1387429
Security Deposits	8000	8000
Other Liabilities	7549941	8395139
Total	31783325	27331654
Provisions		
Leave Encashment	321332	160084
Proposed Dividend - Preference	6000000	12000000
Tax on Dividend	841500	1568250
	7162832	13728334
Total	38946157	41059988

* Names of Small Scale Industrial Undertakings to whom there are dues for more than 30 days are given in Note 13 of the Notes to Account in Schedule 12.



Schedules 1-12 (Contd.)

Schedule 8: Other Income

	For the year ended 31.03.2006 (Rupees)	For the year ended 31.03.2005 (Rupees)
Cash Discount	152148	167705
Interest on Bank Deposit	10397	—
Sale of Scrap	318880	262730
Miscellaneous Income	57231	184510
Total	538656	614945

Schedule 9: Material, Manufacturing and Operating

Raw Materials & Components consumed

Opening Stock	26908901	16224071
Add: Purchases	107098759	83025840
	134007660	99249911
Less: Closing Stock	33119980	26908901
	100887680	72341010

Increase/ (Decrease) in Finished & Trading Goods & Work-in-Progress

Opening Stock		
- Finished & Trading Goods	20612048	22162703
- Work-in-Progress	2826490	2561773
Add: Purchases	112431734	90423015
	135870272	115147491
Less: Closing Stock		
- Finished & Trading Goods	57228599	20612048
- Work-in-Progress	2080569	2826490
	76561104	91708953

Material Consumed

	177448784	164049963
Excise Duty on Increase/(Decrease) in Stock of Finished Goods and Scrap	4286512	2393682
Stores, Spares & Tools Consumed *	50376077	24681363
Primary Packing Materials Consumed	4342724	4262750
Power & Fuel	4179719	4663049
Repairs to Machinery	169986	185464
Lease Rent	3240000	3240000
Total	244043802	203476271
*Includes Repairs to Machinery	98006	616933

Schedule 10: Personnel

Salaries, Wages & Bonus	14188810	11800670
Staff Gratuity	316700	40471
Contribution to Provident Fund & Other Funds	5290758	2680175
Staff Welfare	2201256	3513770
Total	21997524	18035086



GOETZE TP (INDIA) LIMITED

Schedules 1-12 (Contd.)

Schedule 11: Sales & Administration

	For the year ended 31.03.2006 (Rupees)	For the year ended 31.03.2005 (Rupees)
Rent	2458559	1768279
Rates and Taxes	834380	590330
Insurance	845454	955133
Bank Charges	380801	119067
Travelling and Conveyance	29426518	17990931
Printing and Stationery	481375	578470
Telephone, Postage and Telegram	1182985	1010334
Audit Fees, Legal and Professional Charges *	466006	646304
Advertisement and Publicity	2498	—
Repairs and Maintenance	1528264	1109498
Royalty	10678222	8675761
Commission, Discount and Sales Promotion **	58816343	45289448
Freight and Forwarding	5522456	4372286
Warranty Claim	107136	83412
Sales Tax Expenses	3793966	794525
Entertainment	437237	186878
General Charges	3738183	2791815
Management Fees	3543122	3221020
Miscellaneous Expenditure Written off	3341010	2879406
Exchange Fluctuation (Net)	6214577	2093049
Total	133799092	95155946
* includes Auditors' Remuneration		
- Audit Fees	150000	150000
- Tax Audit Fees	30000	30000
- Out of Pocket Expenses	84500	—
Service Tax	22032	18360
** includes Commission to Sole Selling Agent	20334462	15564135

**SCHEDULES 1-12 (Contd.)****Schedule 12 : Significant Accounting Policies and Notes to Accounts****1. Background**

During 1997-98, Goetze (India) Ltd promoted Goetze TP (India) Ltd for manufacture of steel rings used in two, three and four wheeler automobiles, in technical collaboration with Teikoku Piston Ring Co. Ltd, Japan and T&N Investments Ltd, a group company of Federal Mogul Corporation.

The Shareholding pattern is such that 51% of the shares are held by Goetze (India) Ltd and 24.5% each are held by Teikoku Piston Ring Co. Ltd and T&N Investment Ltd, a group company of Federal Mogul Corporation.

The production plant is located at Bangalore (Karnatka) and the Registered office is at New Delhi.

2. Statement of Significant Accounting Policies**a) Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies followed by the Company are consistent with those used in the previous year except the change in accounting policies mentioned in the notes.

b) Tangible Assets and DepreciationTangible Assets

Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

Depreciation is provided on straight line method basis. Depreciation is determined based on management's assessment of assets lives and is calculated at the rates so determined, which are either equal to or higher than rates provided for such assets under Schedule XIV of the Companies Act, 1956.

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
Computers	16.21	16.21
(ii) Furniture & Fittings	6.33	6.33
Office Equipment	4.75	4.75
(iii) Vehicles -Car	9.50	9.50

All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account.

e) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.

Work-in-progress, finished and trading goods.

Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

At cost or net realisable value, whichever is lower. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.

f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.



SCHEDULES 1-12 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes to Accounts

(ii) Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

g) Foreign Currency Transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward Exchange Contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

h) Retirement and Other Employee Benefits

(i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners.

(ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year.

(iii) Liability for leave encashment is determined on the basis of Company policy and recorded on the basis of valuation by an independent actuary at the end of the financial year.

(iv) Superannuation Benefit

The Company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

i) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current Income Tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred Income Taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred Tax Assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised. Virtual certainty tests are applied to entire Deferred Tax Assets in case of unabsorbed losses and depreciation.

j) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

k) Provisions & Contingent Liabilities

Provisions

Provisions are recognised when:

- The Company has a present obligation as a result of past event;
- It is probable that an outflow of resources embodying economic benefit will be required to settle the obligation;
- A reliable estimate can be made of the amount of obligation.

Contingent Liabilities:

Contingent Liabilities are disclosed when:

- A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Company; or
- A present obligation that arises from past events but is not recognised because:
 - a) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - b) A reliable estimate of the amount of obligation cannot be made.

	2005-2006 (Rupees)	2004-2005 (Rupees)
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	43545297	4063942



SCHEDULES 1-12 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes on Accounts (Contd.)

	2005-2006 (Rupees)		2004-2005 (Rupees)
4. Contingent Liabilities:			
(a) Excise Duty show cause notices contested by the Company	1424133		1223543
(b) Others not acknowledged as liability	—		131862
Total	1424133		1355405
5. Interest & Finance Charges represent:			
Interest on Fixed Period Loans	6929485		4049558
Others	6208795		8203738
Total	13138280		12253296
6. Payments made to Executive Director:			
a) Salaries	1900000	360000	
b) Contribution to Provident Fund, Superannuation and Gratuity Funds	334905	139398	
c) Other Perquisites	532810	190217	689615
7. Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 for calculation of Managerial Remuneration :			
Profit as per Profit & Loss Account	55870128	52574332	
Add : Director Remuneration including perquisites	2767715	689615	
Depreciation charged in Accounts	22408300	22180394	7544341
Less : Depreciation as per Section 350 of the Companies Act , 1956	22408300	22180394	
Maximum remuneration payable to Wholetime Directors	58637843	53263947	
Actual Remuneration paid to Wholetime Director	2931892	2663197	
	2767715	689615	
8. Deferred Tax:			
In accordance with the Accounting Standard (AS-22) " Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recognised to the Profit & Loss Account the deferred tax liability (net) for the current year ended 31st March, 2006 as follows:			(Rupees)
	Deferred Tax Assets/ (Liability) as at 01.04.2005	Charge/ (Credit) during the year	Deferred Tax Assets/ (Liability) as at 31.03.2006
Heads			
Depreciation	(42194075)	2552176	(39641899)
Disallowance u/s 43B	53884	54277	108161
Provision for Interest/Exchange Fluctuation	(1575288)	3538595	1963307
Accumulated Loss	19620661	(19620661)	—
Total	(24094818)	(13475613)	(37570431)
9. Expenses Pertaining to Previous Year:			
Material, Manufacturing & Operating	—		4927
Contribution to Superannuation Fund	3728492		—
10. Miscellaneous Expenditure (to the extent not written off or adjusted) comprises :			
Upfront Fees	Balance as per last Balance Sheet 3341010		
	Less: Written off [Refer Note 15 of Schedule 12]	3341010	3341010
11. Information pursuant to paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956			
(i) (a) Annual Licensed and Installed Capacity and Actual Production :			
	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos.)	Delicensed	14400000 (14400000)	11542710 (8920713)

* As certified by a Director and accepted by the auditors.
Note: Figures in brackets pertain to previous year.



GOETZE TP (INDIA) LIMITED

SCHEDULES 1-12 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes on Accounts (Contd.)

		2005-2006 (Rupees)		2004-2005 (Rupees)		
(b) Particulars of Opening Stock, Closing Stock and Turnover						
	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	716140 (709993)	14590850 (14578700)	1672162 (716140)	38185505 (14590850)	10586688 (8914566)	465617716 (361696455)
(ii) Trading Operations:						
	PURCHASES		CLOSING STOCK		TURNOVER	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	3567373 (3064170)	112431734 (90423015)	532903 (166367)	19043094 (6021198)	3200837 (3115962)	103707119 (106795266)
(iii) Details of Raw Materials & Components Consumed:						
			2005-2006		2004-2005	
			Quantity Kgs	Value (Rupees)	Quantity Kgs.	Value (Rupees)
a) Steel Wires			91852	34052381	25634	27391697
b) Others				66835298		44949313
Total				100887679		72341010
(iv) C.I.F. Value of Imported items:						
(a) Raw Materials				38152956		39467617
(b) Spare Parts & Components				11457060		7586524
(c) Capital Goods				4604882		—
Total				54214898		47054141
(v) Expenditure in Foreign Currency (on Payment Basis):						
(a) Travelling Expenses				17505521		2152308
(b) Royalty				7441195		6095130
(c) Technical Knowhow				—		255108
(d) Interest Paid on ECB Loan				5872725		3146051
(vi) Imported and Indigenous Raw Materials and Components Consumed:						
			(Rupees)	Percentage	(Rupees)	Percentage
(a) Indigenous			66835298	66.25	44949313	62.14
(b) Imported			34052381	33.75	27391697	37.86
Total			100887679	100.00	72341010	100.00
(vii) Imported & Indigenous Stores, Spares and Tools Consumed:						
(a) Indigenous			54530043	99.66	23380647	80.78
(b) Imported			188758	0.34	5563466	19.22
Total			54718801	100.00	28944113	100.00



SCHEDULES 1-12 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes to Accounts (Contd.)

(viii) Remittance in Foreign Currency on Account of dividend :				
Year	No. of Shares held	No. of non residents	2005-06 Amount Rs.	2004-05 Amount Rs.
Preference Shares- (1999-00) Prorata	490000	2	—	579946
Preference Shares- (2000-01)	490000	2	—	2940000
Preference Shares- (2001-02)	490000	2	—	2940000
Preference Shares- (2002-03)	490000	2	—	2940000
Preference Shares- (2003-04)	490000	2	2940000	—
Preference Shares- (2004-05)	490000	2	2940000	—

(ix) Earnings in Foreign Exchange (on Accrual basis)		
	2005-06 Amount Rs.	2004-05 Amount Rs.
Export on FOB Basis	—	—

12. Calculation of EPS : (Face value Rs 10)	As on 31.03.2006	As on 31.03.05
Net Profit after Tax	34644515	32751537
Less Preference Dividend incl Tax thereon	6841500	27136500
Profit Available for Equity Share holders	27803015	5615037
Total Number of Shares	10000000	10000000
Basic & Diluted Earnings Per Share	2.78	0.56

13. The List of Small Scale Undertakings to whom the Company owes for more than 30 days is as under:

Name the SSI Undertaking	Name the SSI Undertaking
Devaki Reinforced Plastics	Perfect Industries
Halidon Industries	R.V.S Machine Tools
Indome Appliance Co.	Perfect Spring Private Ltd

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale & ancillary undertaking on the basis of information available with the Company.

14. As the Company's Business Activity falls within a Single Business & Geographical Segment, disclosure requirement of AS-17 "Segment Reporting" is not applicable.
15. Pursuant to management reassessment of transfer of risk and rewards on sale of goods, it has derecognised sales of Rs.73,52,987.99 and consequently increased stock amounting to Rs.21,16,895.92 in its books.
16. The company, towards better presentation of its results, during the year, has changed its hitherto followed policy of amortising upfront processing fee on term loans over the period of underlying loans to amortizing the cost fully in the year in which it is incurred. Had the Company continued its previous policy, profit for the year would have been higher by Rs .15,37,062



GOETZE TP (INDIA) LIMITED

SCHEDULES 1-12 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes to Accounts (Contd.)

17. Related Party Disclosures (As identified & certified by Management)
During the Year Company has entered into Transactions with Related Parties
- i) Key Managerial personnel and their relatives
 - Ms. S. Bhuvaneshwari
 - Mr. Mohan Narayanan
 - ii) Common control with Reporting Enterprise
 - Goetze (India) Ltd (Holding Company)
 - Sataru Rubber & Chemicals Limited
 - iii) Joint Venturers
 - T& N Investments Limited
 - Teikoku Piston Ring

Those transactions along with related balances as at 31st March, 2006 and 2005 and for the Years then ended are presented in Annexure-1

18. Previous year figures have been regrouped and rearranged wherever necessary to make them comparable.

19. Schedules 1 to 12 form an integral part of the Balance Sheet & the Profit and Loss Account and have been duly authenticated.

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

BHAVANA KAUSHAL
Company Secretary

ANDREAS KOLF
Director

MOHAN NARAYANAN
Executive Director

Place : New Delhi
Dated: 29th June 2006

	Holding Company		Associates		Key managerial personnel and their relatives							
	Goetze (India) Ltd		T & N Investments Ltd		Teikoku Piston Rings		Ms. S. Bhuvaneshwari		Mr. Mohan Narayanan		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales	(1,902.50)	(1,309.68)	-	-	-	-	-	-	-	-	(1,902.50)	(1,309.68)
Purchases of raw materials, intermediaries and finished goods	1,469.65	1,046.78	-	-	-	-	-	-	-	-	1,469.65	1,046.78
Dividend Paid	-	122.40	-	-	-	-	-	-	-	-	-	122.40
Management fee Paid	36.85	32.21	-	-	-	-	-	-	-	-	36.85	32.21
Job work Expense	767.20	397.18	-	-	-	-	-	-	-	-	767.20	397.18
Fund Received	4,358.79	2,552.56	-	-	-	-	-	-	-	-	4,358.79	2,552.56
Fund Paid	(3,453.79)	-	-	-	-	-	-	-	-	-	(3,453.79)	-
Operating expenses (shared) reimbursed	276.36	237.51	-	-	-	-	-	-	-	-	276.36	237.51
Sole selling commission Paid	201.40	155.64	-	-	-	-	-	-	-	-	201.40	155.64
Dividend Paid	-	-	29.40	29.40	29.40	29.40	-	-	-	-	58.80	58.80
Remuneration Paid	-	-	-	-	-	-	4.10	2.54	27.67	21.41	31.77	23.95
Rent Expense	32.40	32.40	-	-	-	-	-	-	3.00	1.50	35.40	33.90
Royalty expense	-	-	-	-	106.78	86.75	-	-	-	-	106.78	86.75
Shareholding by Holding / Associate Company.	1,020.00	1,020.00	490.00	490.00	490.00	490.00	-	-	-	-	2,000.00	2,000.00
Balance outstanding as at the year end	1,867.28	1,640.35	-	-	-	-	-	-	-	-	1,867.28	1,640.35





GOETZE TP (INDIA) LIMITED

CASH FLOW STATEMENT

(In Rupees)

	For the year ended 31.03.2006	For the year ended 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	55870128	52574332
Adjustment for Depreciation	22408300	22180394
Misc. Exp written off	3341010	2879406
Provision of Leave Encashment	161248	160084
Interest Paid	13138280	13771837
Foreign Exchange Fluctuation	6214577	574508
Interest Received	(10397)	—
Operating profits before working capital changes	101123146	92140561
Adjustment for		
Trade and other receivables	(20782980)	(10974691)
Trade and other payables	4451671	4793075
Inventories	(48966964)	(11700381)
Loan & Advances	(13788069)	(18991862)
Cash generated from operations	22036804	55266702
less : Direct Tax Paid	(5500000)	(7747680)
Fringe Benefit Tax paid	(2600000)	—
Net Cash flow from Operating Activities	13936804	47519022
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8605719)	(2254880)
Capital Advances	(2606488)	(2099781)
Net Cash used in Investing Activities	(11212207)	(4354661)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	4680000	585000
Proceeds from Short Term Borrowings	32794982	40641769
Payment of Short Term Borrowing	—	(65083502)
Loss from Exchange Fluctuation	(6214577)	(574508)
Interest paid	(13138280)	(13771837)
Dividend paid	(12000000)	(19183562)
Dividend Tax Paid	(1568250)	(2488644)
Net Cash Flow from Financing Activities	4553875	(59875284)
Net Increase/(Decrease) in Cash & Cash Equivalents	7278472	(16710923)
Cash & Cash Equivalents at the Beginning of the Year	177786	16888709
Cash & Cash Equivalents at the year end	7456258	177786

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

BHAVANA KAUSHAL
Company Secretary

ANDREAS KOLF
Director

MOHAN NARAYANAN
Executive Director

Place : New Delhi
Dated: 29th June 2006



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

5	5	-	8	7	4	1	0	of	1	9	9	7	-	9	8
---	---	---	---	---	---	---	---	----	---	---	---	---	---	---	---

State Code

5	5
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	6
---	---	---	---

Date Month Year

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

Public Issue	Rights Issue														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L			<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											
Bonus Issue	Private Placement														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L			<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

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

Total Liabilities	Total Assets														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>4</td><td>2</td><td>7</td><td>2</td><td>0</td></tr></table>		5	4	2	7	2	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>4</td><td>2</td><td>7</td><td>2</td><td>0</td></tr></table>		5	4	2	7	2	0
	5	4	2	7	2	0									
	5	4	2	7	2	0									

Sources of Funds

Paid-up Capital	Reserves & Surplus														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>		2	0	0	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>3</td><td>5</td><td>7</td><td>9</td><td>6</td></tr></table>			3	5	7	9	6
	2	0	0	0	0	0									
		3	5	7	9	6									
Secured Loans	Unsecured Loans														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>2</td><td>6</td><td>9</td><td>0</td><td>0</td></tr></table>		2	2	6	9	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>2</td><td>4</td><td>5</td><td>4</td></tr></table>			4	2	4	5	4
	2	2	6	9	0	0									
		4	2	4	5	4									
Deferred Tax Liability															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>3</td><td>7</td><td>5</td><td>7</td><td>0</td></tr></table>			3	7	5	7	0								
		3	7	5	7	0									

Application of Funds

Net Fixed Assets	Investments														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>9</td><td>7</td><td>8</td><td>5</td><td>2</td></tr></table>		1	9	7	8	5	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
	1	9	7	8	5	2									
		N	I	L											
Net Current Assets	Accumulated Losses														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>4</td><td>4</td><td>8</td><td>6</td><td>7</td></tr></table>		3	4	4	8	6	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td></tr></table>				N	I	L	
	3	4	4	8	6	7									
			N	I	L										
Misc. Expenditure															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L								
				N	I	L									

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

Total Income	Total Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>9</td><td>1</td><td>2</td><td>5</td><td>7</td></tr></table>		4	9	1	2	5	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>3</td><td>5</td><td>3</td><td>8</td><td>7</td></tr></table>		4	3	5	3	8	7		
	4	9	1	2	5	7											
	4	3	5	3	8	7											
+ - Profit/Loss before Tax	+ - Profit/Loss after Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td> </td><td> </td><td>5</td><td>5</td><td>8</td><td>7</td><td>0</td></tr></table>	+			5	5	8	7	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td> </td><td> </td><td>3</td><td>4</td><td>6</td><td>4</td><td>5</td></tr></table>	+			3	4	6	4	5
+			5	5	8	7	0										
+			3	4	6	4	5										
Earning per Share (Rs.)	Preference Dividend Rate (%)																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>2</td><td>.</td><td>7</td><td>8</td></tr></table>			2	.	7	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>6</td></tr></table>			6							
		2	.	7	8												
		6															

V. Generic Names of Three Principal Products of Company

Item Code No.

8	4	0	9	9	1	.	0	5
---	---	---	---	---	---	---	---	---

Product Description

P	I	S	T	O	N		R	I	N	G	S
---	---	---	---	---	---	--	---	---	---	---	---

SATARA RUBBER AND CHEMICALS LIMITED

DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the year ended 31st March 2006.

Financial Results

[Rs. in Million]

	For the year ended 31.03.2006	For the year ended 31.03.2005
Total Income	3.00	1.95
Profit/(Loss) before Depreciation and Tax	(2.93)	(0.17)
Depreciation	5.94	3.22
Profit/(Loss) after Depreciation before tax	(8.87)	(3.39)
Less: Provision for Tax	—	0.40
Net Profit/(Loss) transferred to Profit & Loss Account	(8.87)	(3.79)

Operations

During the year 2005-06, the total income of the Company was Rs. 3.00 Million. This was rental income received from its holding Company, Goetze (India) Limited for the use of the building of the Company as Goetze's office premises. The Company did not have any other operation during the year under review. The Company incurred a net loss of Rs. 8.87 Million in the year under review.

Directors

In accordance with Articles of Association of the Company, Mr. Arun Anand, Director, is liable to retire by rotation in the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

In terms of provisions of Section 217 (2AA) of the Companies Act 1956, your Directors confirm as under:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected appropriate 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 that year;

- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

Fixed Deposits

The Company has not accepted /renewed any fixed deposit during the year under review.

Particulars of Employees

The Company has no employee of the category indicated under section 217(2A) of the Companies Act, 1956, as amended to date.

Particulars of Conservation of Energy, Technology, Absorption and Foreign Exchange Earning and Outgo

The Company did not have any activity during the year under review. Therefore, no measures for

conservation of energy or technology absorption were taken. Neither does your Company have any foreign exchange earnings or outgo.

Auditors

M/s. S. N. Dhawan & Co., Chartered Accountants, New Delhi retire as Auditors of the Company in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that the appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act 1956.

For and on behalf of the Board

NEW DELHI
29th June, 2006

ARUN ANAND
Chairman

SATARA RUBBER AND CHEMICALS LIMITED

AUDITORS' REPORT

To The Members of Satara Rubber and Chemicals Limited

1. We have audited the attached Balance Sheet of Satara Rubber & Chemicals Limited as at 31st March 2006, the Profit & Loss Account and also the Cash Flow Statement 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.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is drawn to Note 2(iii) of Schedule 8. As indicated in the said note the accumulated losses of the Company as at 31st March 2006 exceeded its share capital and considering reorganising plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended, 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.
5. Further to our comments in the Annexure referred to above, we report that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006,
 - ii) in the case of the Profit & Loss Account, of the Loss 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 S. N. Dhawan & Co.
Chartered Accountants

(Suresh Seth)

Partner

Membership No. 10577

Place: New Delhi
Dated: 29th June, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF SATARA RUBBER AND CHEMICALS LIMITED FOR THE YEAR ENDED 31st MARCH, 2006.

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, no physical verification of its fixed assets has been conducted during the year.
- (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) (a) According to the information and explanations given to us, the Company is not maintaining any inventories. Therefore, provisions of clause (ii) of Paragraph 4 of the Order are not applicable to the Company.
- iii) (a) As informed, 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. Therefore, the provisions of clause (iii) (b) to (iii) (d) of Paragraph 4 of the Order are not applicable to the Company.
- (b) The Company has taken interest free loan from Goetze (India) Limited (The Holding Company). The maximum amount involved during the year was Rs.19,70,95,039 and the balance of loan taken was Rs.4,70,95,039 as at 31st March 2006.
- (c) In our opinion and according to the information and explanations given to us, the other terms and conditions of such interest free loan are not, prima facie, prejudicial to the interest of the Company.
- (d) The Company has been regular in repaying the principal amounts, as stipulated.
- 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, for the purchase of fixed assets. During the year there was no purchase of inventory or sale of goods and services. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems during the course of our audit.
- v) (a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which provisions of Section 58A and 58AA of the Companies Act, 1956, and Companies (Acceptance of Deposits) Rules, 1975 apply. Accordingly, the provisions of clause (vi) of Paragraph 4 of the Order are not applicable to the Company.
- vii) The Company did not have a formal Internal Audit System during the year under review. However, the Company has explained that its internal control procedures involve reasonable internal checking which, in our opinion, is considered adequate under the circumstances.
- viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956. Therefore, provisions of clause (viii) of Paragraph 4 of the Order are not applicable to the Company.
- ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues, if any, including provident fund, investor education and 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.

- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess were in arrears, as at 31st March 2006 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there were no dues of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess which have not been deposited on account of any dispute.
 - x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth as at 31st March 2006. The Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
 - xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
 - xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, provisions of clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.
 - xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of Paragraph 4 of the Order are not applicable to the Company.
 - xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
 - xvi) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which the loans were obtained.
 - xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investment.
 - 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. Therefore, the provisions of clause (xix) of Paragraph 4 of the Order are not applicable to the Company.
 - xx) The Company has not raised any money through public issue during the year under review.
 - xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. N. Dhawan & Co.
Chartered Accountants

Suresh Seth

Partner

Place: New Delhi
Dated: 29th June, 2006

Membership No. 10577

SATARA RUBBER AND CHEMICALS LIMITED

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 (Rs.)	As at 31.03.2005 (Rs.)
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital	1	500000	500000
Loan Funds			
Secured Loans	2	150000000	150000000
Unsecured Loans	3	47264324	—
Total		197764324	150500000
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	193476900	193476900
Less: Depreciation		9163485	3225232
Net Block		184313415	190251668
Current Assets, Loans and Advances			
Cash & Bank Balances	5	117031	69321
Loans and Advances	6	681765	31189
		798796	100510
Less: Current Liabilities & Provisions			
Current Liabilities	7	16836	43648747
Net Current Assets		781960	(43548237)
Profit & Loss Account		12668949	3796569
Total		197764,324	150500000

Significant Accounting Policies & Notes to Accounts 8

The Schedules referred to above, Significant Accounting Policies & Notes to Accounts form an integral part of the Balance Sheet.

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

On behalf of Board

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

Place : New Delhi
Dated: 29th June 2006

SATARA RUBBER AND CHEMICALS LIMITED

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

	For the year ended 31.03.2006 (Rs.)	For the year ended 31.03.2005 (Rs.)
INCOME		
Rent Received-(Tax Deducted at source Rs. 6,73,200/- Previous Year Rs. 4,07,745/-)	3000000	1950000
Interest	—	820
	3000000	1950820
EXPENDITURE		
Rates & Taxes	275715	381155
Repairs & Maintenance	22624	123920
Conveyance	—	375
Pre-Operative Expenses	—	768555
Audit Fees	16836	16530
Bank & Finance Charges	524021	826622
Interest on Term Loan from Bank	5094931	—
Depreciation	5938253	3225232
	11872380	5,342389
Net Profit /(Loss) before tax	(8872380)	(3391569)
Less: Provision for Tax	—	405000
Balance brought forward from last year	(3796569)	—
Net Profit/(Loss) carried to the Balance Sheet	(12668949)	(3796569)
Basic & Diluted Earnings Per Share	(177.45)	(75.93)
Refer Note no. 2(ii) Notes to the Accounts		

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

On behalf of Board

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

Place : New Delhi
Dated: 29th June 2006

SATARA RUBBER AND CHEMICALS LIMITED

Schedules 1-8

Schedule 1: Share Capital

	As at 31.03.2006 (Rs.)	As at 31.03.2005 (Rs.)
Authorised 1,20,000 (Previous Year 1,20,000) Equity Shares of Rs. 10/- each	1200000	1200000
Issued, Subscribed and Paid up 50,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each fully paid-up	500000	500000
Total	500000	500000

The above Equity Shares are held by Goetze (India) Limited, the Holding Company.

Schedule- 2: Secured Loans

Term Loan from Bank	150000000	150000000
Total	150000000	150000000

Note: 1. Secured by Corporate Gaurantee of Goetze (India) Ltd., the Holding Company and Deposit of Title Deeds of the Building owned by the Company

Schedule- 3: Unsecured Loans

Goetze (India) Limited	47095039	—
GTZ Securities Limited	169285	—
Total	47264324	—

Schedule- 4: Fixed Assets

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.05	Additions	Deletions	As at 31.03.2006	Depreciation upto 31.03.2005	For the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
LEASE HOLD LAND	102341	—	—	102341	—	—	—	102341	102341
BUILDING	112109739	—	—	112109739	916198	1827389	2743587	109366152	111193541
PLANT & MACHINERY	64398610	—	—	64398610	1533657	3058934	4592591	59806019	62864953
FURNITURE & FIXTURES	16866210	—	—	16866210	775377	1051930	1827307	15038903	16090833
	193476900	—	—	193476900	3225232	5938253	9163485	184313415	190251668
Previous year	102341	193374559	—	193476900	—	3225232	3225232	—	—

Schedule- 5: Current Assets

	As at 31.03.2006 (Rs.)	As at 31.03.2005 (Rs.)
Cash and Bank Balance		
Balance with Scheduled Bank in Current Account	117031	69321
Total	117031	69321

Schedule- 6: Loans and Advances

Unsecured - Considered Good Advance recoverable in cash or in kind or for value to be received	-	22624
Advnce Tax (Net of Provision)	675945	2745
Security Deposits	5820	5820
Total	681765	31189

SATARA RUBBER AND CHEMICALS LIMITED

Schedules 1-8 (Contd.)

	As at 31.03.2006 (Rs.)	As at 31.03.2005 (Rs.)
Schedule- 7: Current Liabilities & Provisions		
Sundry Creditors -Other than Small Scale Industrial Undertakings	16836	43648747
Total	16836	43648747

Schedule 8 : Significant Accounting Policies and Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting Convention

The financial statements have been prepared under the historical cost convention, to comply in all material aspects with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

(ii) Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated depreciation, Cost of Acquisition or construction is inclusive of freight, duties, taxes and other incidental expenses. Depreciation is charged on pro-rata basis on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Items costing Rs.5000/- or less are fully depreciated in the year of purchase.

(ii) Impairment of Assets

At each Balance Sheet date, the Company reviews the carrying amount of its fixed assets to determine whether they are recorded in excess of their recoverable amounts and where the carrying values exceed the estimated recoverable amount, impairment loss is provided to that extent.

2. NOTES TO THE ACCOUNTS

i) Related Party disclosures (as identified and certified by the management)

Related Party disclosures as required under Accounting Standard on "Related Party disclosures" issued by the Institute of Chartered Accountants of India are given below:

a) Holding Company:

Goetze (India) Limited

b) Key Management Personnel:

i) Mr. Andreas Kolf ii) Mr.Arun Anand iii) Mr.Rajan Luthra

c) Related Party transactions:

Particulars	2005-2006 (In Rupees)	Holding Company Goetze (India) Ltd 2004-2005 (In Rupees)
Rent Income	3000000	1950000
Loan taken		
Balance as on 1 st April, 2005	—	—
Availed during the year	197095039	1542000
Repaid during the year	150000000	1542000
Balance as at 31 st March, 2006	47095039	—
Guarantees obtained	150000000	150000000
ii) Earnings per Share (Face value of Rs.10)		
a) Net Profit/(Loss) after tax	(8872381)	(3796569)
b) Total number of Equity Shares	50000	50000
c) Basic and Diluted Earning per Share	(177.45)	(75.93)

SATARA RUBBER AND CHEMICALS LIMITED

- iii) The accumulated losses of the Company as at March 31, 2006 exceeded its share capital. Steps are being taken by the Management to revive the Company by reorganizing the whole set up and in fact the Company is negotiating with its holding company to increase the lease rent and is in the process to make repayment of the term loans of the Company through its holding company. Considering reorganizing plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
- iv) Balance Sheet abstract and companies general business profile is attached.
- v) Previous year figures have been regrouped/rearranged, wherever necessary.
- vi) Schedules 1 to 8 form an integral part of the Balance Sheet and have been duly authenticated.

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

Place : New Delhi
Dated: 29th June 2006

On behalf of Board

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

SATARA RUBBER AND CHEMICALS LIMITED

CASH FLOW STATEMENT

(In Rupees)

	For the year ended 31.03.2006	For the year ended 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(8,872,381)	(3,391,569)
Adjustment for Depreciation	5,938,253	3,225,232
Misc. Exp written off	—	768,555
Interest Paid	5,094,931	—
Operating profits before working capital changes	2,160,803	602,218
Adjustment for Trade and other receivables	(650,575)	27,869,631
Trade and other payables	(43,631,911)	43,632,217
Net Cash generated from operations	(42,121,683)	72,104,066
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	—	(168,635,958)
Net Cash used in Investing Activities	—	(168,635,958)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	—	150,000,000
Proceeds from Short Term Borrowings	47,264,324	—
Payment of Short Term Borrowing	—	(53,467,410)
Interest paid	(5,094,931)	—
Net Cash Flow from Financing Activities	42,169,393	96,532,590
Net Increase/(Decrease) in Cash & Cash Equivalents	47,710	698
Cash & Cash Equivalents at the Beginning of the Year	69,321	68,623
Cash & Cash Equivalents at the year end	117,031	69,321

as per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

Place : New Delhi
Dated: 29th June 2006

On behalf of Board

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

SATARA RUBBER AND CHEMICALS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. of - State Code

Balance Sheet Date
 Date Month Year

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

Public Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Rights Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Private Placement	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>

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

Total Liabilities	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="9"/>	<input type="text" value="7"/>	<input type="text" value="7"/>	<input type="text" value="6"/>	<input type="text" value="4"/>
Total Assets	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="9"/>	<input type="text" value="7"/>	<input type="text" value="7"/>	<input type="text" value="6"/>	<input type="text" value="4"/>

Sources of Funds

Paid-up Capital	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Reserves & Surplus	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Secured Loans	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="5"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Unsecured Loans	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="4"/>	<input type="text" value="7"/>	<input type="text" value="2"/>	<input type="text" value="6"/>

Application of Funds

Net Fixed Assets	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="8"/>	<input type="text" value="4"/>	<input type="text" value="3"/>	<input type="text" value="1"/>	<input type="text" value="3"/>
Investments	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Net Current Assets	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="2"/>	
Deferred Tax (Liability)	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Misc. Expenditure	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	
Accumulated Losses	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="9"/>

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

Total Income	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Total Expenditure	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="1"/>	<input type="text" value="8"/>	<input type="text" value="7"/>
+ - Profit/Loss before Tax	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="8"/>	<input type="text" value="8"/>	<input type="text" value="7"/>	<input type="text" value="2"/>
+ - Profit/Loss after Tax	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="8"/>	<input type="text" value="8"/>	<input type="text" value="7"/>	<input type="text" value="2"/>
Earning per Share (Rs.)	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	
Dividend Rate %	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	

V. Generic Names of Three Principal Products of Company

Item Code No. | | | | | | |

Product Description | | | | | | | | | | | |

**AUDITORS' REPORT****AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF GOETZE (INDIA) LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GOETZE (INDIA) LIMITED.**

1. We have audited the attached consolidated balance sheet of Goetze (India) Limited, its subsidiaries and associates as at 31st March 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the group management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We invite your attention to Note -7(b) under schedule 25 explaining management's assessment in relation to certain machineries constructed by the company for which cost details are under compilation. Consequential effect, if any, which might arise on completion of these details, is not ascertainable.
4. Personnel costs and operating and other expenses under Schedule 19 and 20 include Rs. 101 Lacs and Rs. 12.80 Lacs towards directors remuneration, which is in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management has confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company is preparing necessary application.

5. As explained in note 8 under Schedule 25, the company had not consolidated financial statements and financial information of GTZ Securities Limited in the earlier years. Consequently, the company's proportionate share of losses relating to earlier years, amounting to Rs.46.15 Lacs has been recorded in the current year's profit and loss account. Had this been recorded in the earlier years, the current year loss would have been lower and reserves would have been higher by Rs.46.15 Lacs.
6. Attention is drawn to Note 9 under schedule 25 in relation to management's decision to derecognise sales based on reassessment of transfer of risks and rewards, corresponding impact of which in previous year figures is not ascertainable.
7. We did not audit the financial statements of certain subsidiaries and associates, whose financial statements reflect
 - (i) In relation to subsidiary Goetze TP (India) Limited, total assets (net) of Rs. 2,357.95 Lacs as at 31st March 2006, total revenue of Rs. 4,912.57 Lacs and cash flows amounting to Rs. 74.78 Lacs for the year then ended.
 - (ii) In relation to subsidiary Satara Rubber and Chemicals Limited, total assets (net) of Rs. 500 Lacs as at 31st March 2006, total revenue of Rs. 30 Lacs.
 - (iii) In relation to an associate GI Power, total assets (net) of Rs. 3,272.86 Lacs as at 31st March 2006, total revenue of Rs. 948.55 Lacs.
 - (iv) In relation to an associate GTZ Securities Limited, total assets (net) of Rs. 303.41 Lacs as at 31st March 2006, total revenue of Rs. 421.75 Lacs.

These financial statements and other financial information at 31 March 2006, except for financial statements and other financial information for GTZ Securities Limited and GI Power Limited which are consolidated based on unaudited accounts, have been audited by other auditors whose report(s) has (have) been furnished to us, and our opinion is based solely the report of other auditors.

8. We report that the consolidated financial statements have been prepared by the Goetze India Limited management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, subject to our comments in paragraph 5 relating to non – consolidation of financial statement and financial information of an associate having a consequential effect of Rs. 46.15 Lacs, paragraph 3 above in relation to cost details for certain machineries, consequential effect in financial statements whereof is not ascertainable and in paragraph 4 above relating to amounts recoverable from directors towards excess remuneration, give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Goetze (India) Limited as at 31st March 2006;
- (b) in the case of the consolidated profit and loss account, of the loss for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

FOR S. R. BATLIBOI & CO.
Chartered Accountants

per
Pankaj Chadha
Partner

Membership No.: 91813

Place: New Delhi
Date: 30 June, 2006



GOETZE (INDIA) LIMITED

CONSOLIDATED BALANCE SHEET OF GOETZE (INDIA) LTD AS AT MARCH 31, 2006

	Schedule	As at	
		31.03.2006	31.03.2005
		Rs. Lacs	Rs. Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2528.75	2528.75
Reserves and Surplus	2	7957.80	13267.50
Minority Interest	3	1155.40	1019.17
		11641.95	16815.42
Loan funds			
Secured Loans	4	36711.42	33072.80
Unsecured Loans	5	6442.83	6445.47
		43154.25	39518.27
Deferred Tax Liabilities	6	375.70	-
		55171.90	56333.69
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	7	54648.20	54798.27
Less : Depreciation		18475.78	18363.44
Net Block		36172.42	36434.83
Capital Work-In-Progress including capital advances		697.40	1587.78
		36869.82	38022.61
Investments	8	1474.99	1704.26
Deferred Tax Assets	6	-	189.85
Current Assets, Loans and Advances			
Inventories	9	14572.59	10264.00
Sundry Debtors	10	7375.29	9528.39
Cash and Bank Balances	11	297.87	148.48
Other Current Assets	12	76.99	307.89
Total		22322.74	20248.76
Loans and Advances	13	2753.34	3132.11
Less: Current Liabilities and Provisions			
Current Liabilities	14	7348.41	7141.59
Provisions	15	1272.40	1943.81
		8620.81	9085.40
Net current assets		16455.27	14295.47
Miscellaneous Expenditure (to the extent not written off or adjusted)	16	-	2121.50
Debit balance in profit and loss account		371.82	-
		55171.90	56333.69
Notes to Accounts	25		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

As per our report of even date

For **S.R.Batilboi & Co.**
Chartered Accountants

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary

Rainer Jueckstock
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT OF GOETZE (INDIA) LTD.
FOR THE YEAR ENDED MARCH 31, 2006**

Schedule	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
INCOME:		
Turnover (Gross)	53932.08	52254.35
Less : Excise duty	7054.68	6896.00
Turnover (Net)	46877.40	45358.35
Other income	17 950.50	1193.28
	47827.90	46551.63
EXPENDITURE		
Raw materials and components consumed	18 12170.56	10644.90
Personnel expenses	19 11226.81	10425.04
Operating and other expenses	20 24265.74	16911.05
Decrease/(increase) in inventories	21 (3996.52)	(937.42)
Depreciation and amortisation	7 3722.33	2949.92
Provision for impairment losses	258.07	250.00
Increase of excise duty on finished goods	509.70	122.28
Financial expenses	22 3494.06	2941.23
Less: Expenditure capitalised for self constructed assets	604.92	220.05
	51045.83	43086.95
Profit/ (loss) before tax and prior period items		
Provision for tax	282.94	290.39
Fringe benefit tax	174.50	-
Deferred -tax	565.56	960.33
Total tax expense	1023.00	1250.72
Profit /(loss) after tax but before prior period item		
Prior period items	23 457.00	-
Net profit / (loss) before minority interest	(4697.93)	2213.96
Minority interest	136.23	(27.52)
Net profit / (loss) after minority interest	(4834.16)	2186.44
Balance brought forward from previous year	2471.00	2346.69
Adjustment for Subsidiary Interest	-	22.21
Transferred from debenture redemption reserve	-	208.33
Profit available for appropriation	(2363.16)	4763.67
Appropriations:		
Proposed final dividend	60.00	1129.11
Tax and cess on dividend	8.42	163.56
Transfer to general reserve	-	1000.00
(Loss)/ Surplus carried to balance sheet	(2431.58)	2471.00
Adjusted against General Reserve	2059.76	-
(Loss)/ Surplus carried to balance sheet	(371.82)	-
Earnings per share		
Basic and diluted	24	
[Nominal value of shares Rs. 10 (Previous year Rs 10)]	(9.35)	8.71
Notes to Accounts		
	25	

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

As per our report of even date

For S.R.Batliloi & Co.
Chartered Accountantsper **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO**M.M. Sabharwal**
Director**Rajan Luthra**
Financial Controller & Company Secretary**Rainer Jueckstock**
Director



GOETZE (INDIA) LIMITED

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS

Schedule 1 : Share Capital

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Authorised		
8,00,00,000 Equity Shares of Rs.10 each	8000.00	8000.00
	8000.00	8000.00
Issued, Subscribed and Paid-up		
2,52,87,549 Equity Shares of Rs.10 each fully paid (Previous Year-2,52,87,549)	2528.75	2528.75
	2528.75	2528.75

- * Of the above Equity Shares:
- a) 12,52,680 Equity Shares have been allotted as Bonus Shares by capitalisation of General Reserve.
(Previous Year-12,52,680)
- b) 84,29,183 Equity Shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
(Previous Year-84,29,183)
- c) 84,207 Equity Shares have been issued for Consideration other than Cash.
(Previous Year-84,207)

Schedule 2 : Reserves and Surplus

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Capital Reserve	56.55	56.55
Capital reserve on investment in associates	365.16	421.71
Capital subsidy	1.12	1.12
Revaluation Reserve Account		
As per last balance sheet	1144.09	1269.23
Less: Transferred to Profit and Loss account		
– Depreciation	-	117.66
– on assets sold/ discarded	-	7.48
Other adjustments *	1144.09	-
Securities Premium Account	6534.97	6534.98
Capital Redemption Reserve	1000.00	1000.00
General reserve		
Balance as per last account	2059.76	1059.76
Add: Transfer from/ debit balance in profit and loss account	(2059.76)	1000.00
Total	7957.80	10796.50
Profit and Loss Account	-	2471.00
	7957.80	13267.50

* See note 2(b) (ii) under schedule 25

Schedule 3 : Minority Interest

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Opening minority interest as per last balance sheet	1019.17	991.65
Add: Current year minority interest	136.23	27.52
	1155.40	1019.17

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 4 : Secured Loans**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Loans and advances from banks		
Term loans	28028.97	24959.30
Vehicle Loans From Banks	179.33	0.96
Working Capital Loans From Banks	4575.83	2580.74
Customer bills discounted with banks	3909.92	5518.36
Interest accrued and due	17.37	13.44
	36711.42	33072.80

- 1 Term loans repayable within one year- Rs. 14,038.33 Lacs (Previous Year: Rs. 11,951.78 Lacs)
- 2 Term loans from banks are secured by
 - Rs. 8,134.38 Lacs (Previous Year: 11,742.09 Lacs) are secured by a first charge ranking pari-passu inter-se on the immovable and movable fixed assets of the Company
 - Rs. 412.50 Lacs (Previous Year: Rs. 7,300 Lacs) are secured / to be secured by a first charge on the movable fixed assets of the Company
 - Rs. 229.82 Lacs (Previous Year: Rs. 604.86 Lacs) are secured by a first pari-passu charge on the immovable and movable fixed assets consisting of plant and machinery, land and building, stores and spares of the Company's factories situated at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan).
 - Rs. 2,000 Lacs (Previous Year: Rs. 2,500) are secured by a second subservient charge on the movable fixed assets of the Company situated at Patiala (Punjab) Bangalore (Karnataka) and Bhiwadi (Rajasthan).
 - Rs. 5,000 Lacs (Previous Year: Rs. Nil) are secured by first pari passu charge on the entire block of fixed assets and second charge over current assets to cover the uncovered portion
 - Rs. 3,208 Lacs (Previous Year: Rs. Nil) are secured by first pari passu charge with all secured lenders on the entire assets of the Company
 - Rs. 1497.62 Lacs (Previous Year: Rs. Nil) are secured by first pari passu charge on all fixed assets excluding land, buildings and vehicles, with other term lenders
 - Rs. 2,500 (Previous Year: Rs. Nil) are secured by first pari passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any
 - Rs. 2,187.50 (Previous Year: Rs. Nil) are secured by first pari passu charge on current assets and second pari passu charge on fixed assets
 - Rs. 1359.15 Lacs (Previous Year: Rs. 1,312.35 Lacs) are secured by a charge on Inventories, Book Debts and other movable assets both present and future of Goetze TP (India) Limited.
 - Rs. 1,500 Lacs (Previous Year: Rs. 1,500 Lacs) are secured by irrevocable corporate guarantee of Goetze (India) Limited and deposit of title deeds of building at New Delhi
- 3 Vehicle loans of Rs. 179.33 Lacs (Previous Year: Rs. 0.96 Lacs) from banks are secured by way of hypothecation of the underlying vehicles
- 4 Working capital loans from banks are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both present and future.
- 5 Working capital loans include Rs. 400 Lacs (Previous Year: Rs. 500 Lacs) in an escrow account with the lending bank as per agreement entered into by the Company with a customer under which amounts receivable from the said customer are maintained in the said escrow account with the lending bank. The amounts are secured by way of second charge on fixed assets of the Company.

Schedule 5 : Unsecured Loans

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Unpaid Fixed Deposits	18.29	39.05
Short term loans and advances		
- From banks *	6424.54	6406.42
	6442.83	6445.47

* Includes Rs. 4000 Lacs (Previous year-Rs.5,500 Lacs) commercial papers. Maximum amount outstanding during the year Rs.9,000 Lacs (Previous year-Rs.8,000 Lacs).



GOETZE (INDIA) LIMITED

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 6 : Deferred Tax Assets :

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Deferred Tax Liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	5457.58	5667.96
Gross deferred tax liabilities	5457.58	5667.96
Deferred Tax Assets		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	840.97	241.62
Carry forward of losses	4240.90	5616.19
Gross Deferred Tax Assets	5081.87	5857.81
Net Deferred Tax Asset	375.71	(189.85)

Schedule 7 : Fixed Assets

	Rs. Lacs									Previous Year
	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Goodwill	Total	
Gross block										
At April 1, 2005	1642.19	184.25	9240.98	1780.66	40661.58	708.10	362.31	218.21	54798.28	47747.12
Additions	-	-	290.60	237.37	4752.75	264.29	-	-	5545.01	7327.13
Deductions	-	-	25.34	6.70	1831.44	211.19	-	-	2074.67	275.98
Less adjusted against revaluation reserve	105.34	-	461.94	-	3053.14	-	-	-	3620.42	-
At March 31, 2006	1536.85	184.25	9044.30	2011.33	40529.75	761.20	362.31	218.21	54648.20	54798.27
Depreciation										
At April 1 2005	-	-	1694.24	673.47	15734.02	152.43	87.46	21.82	18363.44	15467.76
For the year	-	2.00	271.84	154.03	3103.32	96.86	72.46	21.82	3722.33	3075.06
Deletions / adjustments	-	-	1.41	2.41	1062.49	67.35	-	-	1133.66	179.38
Less adjusted against revaluation reserve	-	-	275.73	-	2200.60	-	-	-	2476.33	-
At March 31, 2006	-	2.00	1688.94	825.09	15574.25	181.94	159.92	43.64	18475.78	18363.44
For previous year	-	-	262.84	106.00	2545.69	66.25	72.46	21.82	3075.06	-
Net block										
At March 31, 2006	1536.85	182.25	7355.36	1186.24	24955.50	579.26	202.39	174.57	36172.42	-
At March 31, 2005	1642.19	184.25	7546.74	1107.19	24927.56	555.67	274.85	196.39	36434.84	-
Capital work-in-progress including capital advances Rs 118.41 Lacs (Previous Year Rs 794.60)	-	-	-	-	-	-	-	-	697.40	1587.78

Note:

- Additions includes foreign exchange capitalised Rs. 5 Lacs (Previous year Rs 3 Lacs)
- Depreciation for the year includes Rs. Nil (Previous Year Rs. 125.14 Lacs) transferred from revaluation reserve in respect of revalued assets
- Land includes(at cost) Rs. 900.65 Lacs (Previous Year Rs. 900.65 Lacs) pending registration in the name of the Company.
- Buildings include (at Cost)
 - Rs.101.38 Lacs (Previous Year Rs.138.35 Lacs) Residential flats pending registration in the name of the Company.
 - Rs.1,261.39 Lacs (Previous Year Rs. 1261.39 Lacs), constructed on land pending registration in the name of the Company.
- * includes Patents and Trade marks valued at Re.1.

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 8 : Investments**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Long Term (At Cost)		
A Trade Investments (Quoted)		
Escorts Limited	-	499.18
Nil (Previous year-5,29,486) Equity Shares of Rs.10 each fully paid .		
B Government Securities		
National Savings Certificates* (cost Rs 1.42 Lacs)	1.42	1.42
C Investments in Associates		
(i) GI Power Corporation Limited		
a 38,89,600 (Previous Year-7,38,400) equity shares of Rs 5 each, fully paid	194.48	36.92
Add: Capital reserve on purchase of investment	365.16	-
Less: Share of losses in associate	(39.26)	-
Carrying amount of investment	520.38	36.92
b 2,030,600 (Previous Year-20,30,600) 10% redeemable cumulative preference shares of Rs.5 each fully paid	67.69	101.53
c 17,528,800 (Previous Year - 20,000,000) 8% cumulative convertible redeemable Preference Shares of Rs.5 each fully paid in GI Power Corporation Ltd	876.44	1000.00
(ii) GTZ Securities		
9,23,000 (Previous Year-9,23,000) equity shares of Rs 5 each fully paid in GTZ Securities Ltd	46.15	46.15
Less: Share of losses in associate	(46.15)	-
Carrying value of investment	-	46.15
D Other investments		
(i) Nanz Food Products Limited		
1,00,000 (Previous Year-1,00,000) 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	10.00
Less : Provision for diminution in the value of investment	(10.00)	-
E Current investments (quoted)		
Unit Trust of India		
9,058 (Previous Year 9,058) 6.75% Taxfree US 64 Bonds of 100 each fully paid	9.06	9.06
	1474.99	1704.26

* The investment is pledged with Sale Tax Authorities
Aggregate value of quoted investments **9.06** 508.24
Market value Nil, Previous year Rs. 429.70 Lacs

A Following investments were purchased during the year

- (i) 3,151,200 equity shares of Rs 5 each fully paid in GI Power Corporation Limited (cost Rs. 157.56 Lacs). Out of these, 2,471,200 equity shares of Rs. 5 each fully paid were purchased and 6,800,000 equity shares of Rs. 5 each fully paid were subscribed to on preferential allotment.
(ii) Nil (Previous Year 50,000) equity shares of Rs. 10 each, fully paid in Satara Rubber and Chemicals Limited.
(iii) Nil (Previous Year 20,000,000) 8% cumulative convertible redeemable preference shares of Rs. 5 each, fully paid in GI Power Corporation Limited.

B Following investments were sold during the year

- (i) sold 529,486 equity shares (Previous Year 664,110) of Rs 10 each, fully paid in Escorts Limited.
(ii) sold 2,474,333, 8% cumulative redeemable preference shares of Rs 5 each fully paid in GI Power Corporation Limited.
(iii) sold Nil (Previous Year 10,020,000) equity shares of Rs 10 each, fully paid in GI Wind Farm Limited
(iv) sold Nil (Previous Year 56) 12.35% bonds of Rs 50,000 each fully paid in Sardar Sarovar Narmada Limited

C 10% redeemable cumulative preference shares of Rs 5 each fully paid are redeemable on following terms:

- on June 30, 2005 Rs 1.67 per share
- on June 30, 2006 Rs 1.67 per share
- on June 30, 2007 Rs 1.67 per share
Company has received Rs 1.67 per share on its 2,030,600 preference shares due on June 30, 2005



GOETZE (INDIA) LIMITED

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 9 : Inventories

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Raw materials and components (Including materials in transit Rs 176.03 Lacs (Previous Year Rs 258.79 Lacs)	1490.72	1767.17
Stores and spares	2379.14	2008.10
Work-in- progress	2742.47	2282.31
Reusable scrap	598.30	380.82
Finished goods	7361.96	3825.60
	14572.59	10264.00

Schedule 10: Sundry Debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good	218.02	378.21
Unsecured, considered doubtful	19.72	-
Other debts		
Unsecured, considered good	7157.27	9150.18
	7395.01	9528.39
Less : Provision for doubtful debts	19.72	-
	7375.29	9528.39

Schedule 11: Cash and Bank Balances

Cash in hand	11.38	6.84
Balances with scheduled banks:		
On current accounts	169.50	40.77
On deposit accounts (pledged with Government authorities)	82.63	70.65
On unpaid dividend accounts	34.36	30.22
	297.87	148.48

Schedule 12: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value) (Refer note 10 under schedule 25)	38.55	275.00
Interest / dividend accrued on deposits / investments	38.44	32.89
	76.99	307.89

Schedule 13: Loans and Advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	628.69	1483.67
Advance to Escorts Farms Limited	2.12	-
Advance to Gossini Fashion Ltd (earlier AN-GIP Leather (India) Limited)	57.70	-
Advance to vendor	28.50	28.50
Security Deposits	337.11	369.01
Balance with Excise Authorities	1040.68	631.78
Advance Payment of Tax (net of provision)	658.54	619.15
	2753.34	3132.11

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 14 : Current Liabilities**

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Acceptances	1477.70	-
Sundry creditors		
- Small scale industries *	148.86	57.56
- others	4450.44	5416.35
-Other liabilities	1049.64	1446.49
-Security Deposit	168.00	166.42
- Unpaid dividend	34.14	30.22
-Interest Accrued but not due on loans	19.63	24.55
	7348.41	7141.59

* Amount represents amounts due to small scale industries, to the extent such parties have been identified from available documents/information.

Schedule 15: Provisions

Provision for leave encashment	348.90	250.45
Provision for gratuity	480.47	429.27
Provision for superannuation	374.61	45.92
Proposed dividend	60.00	1070.30
Tax on proposed dividend	8.42	147.87
	1272.40	1943.81

Schedule 16 : Miscellaneous Expenditure

Voluntary retirement scheme expenses			
Balance as per last Balance Sheet	1599.65	1382.25	
Add: Additions in current year	590.60	780.12	
Less : Written off	2190.25	562.72	1599.65
Commission, upfront fee			
Balance as per last Balance Sheet	495.31	337.54	
Add: Additions in current year	264.82	458.29	
Less : Written off	760.13	333.93	461.90
Development expenses			
Balance as per last Balance Sheet	59.95	111.38	
Add: Additions in current year	33.20	-	
Less : Written off	93.15	51.43	59.95
	-	-	2121.50



GOETZE (INDIA) LIMITED

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 17 : Other Income

	For the year ended 31.03.2006 Rs. Lacs	For the year ended 31.03.2005 Rs. Lacs
Interest:		
Bank deposits (Tax deducted at source Rs 1.62 Lacs, Previous Year Rs 1.94 Lacs)	6.80	20.07
Income tax refund	-	108.27
Others (Tax deducted at source Rs 13.88 Lacs, Previous Year Rs 7.96 Lacs)	68.48	51.45
Sale of scrap	507.84	530.72
Duty drawback/ Exim Scrip realisation	18.46	127.53
Cash Discount	85.99	72.10
Excess provision written back	116.54	23.61
Miscellaneous income	146.39	259.52
	950.50	1193.27

Schedule 18: Raw Materials and Components Consumed

Inventories - Opening	1767.17	1190.63
Add: Purchases	11894.11	11221.44
	13661.28	12412.07
Less: Inventories - Closing	1490.72	1767.17
	12170.56	10644.90

Schedule 19: Personnel Expenses

Salaries, wages and bonus	8775.55	7864.43
Contribution to provident fund and other funds	713.19	586.50
Contribution to other funds	43.39	93.43
Contribution to gratuity	496.15	480.23
Workmen and staff welfare	1198.53	1400.45
	11226.81	10425.04

Schedule 20: Operating and Other Expenses

Consumption of stores and spares	7160.85	4718.79
Sub-contracting	916.81	727.95
Power and fuel	3844.97	3649.68
Freight and forwarding charges	830.18	883.44
Rent	160.49	187.14
Rates and taxes		
-Sale & Purchase tax	139.50	56.32
- Others	121.21	70.18
Insurance	154.19	130.03
Repairs and maintenance		
- Plant and machinery	145.67	180.40
- Buildings	184.58	46.89
- Others	264.85	167.42
Advertising and sales promotion	3233.41	2557.65
Royalty	576.42	485.02
Product rectification charges	106.94	69.65
Legal and professional expenses *	306.99	136.59
Travelling and conveyance	952.80	854.25
Communication costs	156.12	155.48

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 20 : Operating and Other Expenses (Contd)**

	For the year ended 31.03.2006 Rs. Lacs		For the year ended 31.03.2005 Rs. Lacs
Printing and stationery	62.61		72.50
Directors' sitting fees	1.95		1.05
Auditor's remuneration			
- Audit fee	34.00	12.50	
- Tax audit fee	-	5.00	
- For certification and others matters	-	7.90	
- For Limited reviews	21.90		
- Out-of-pocket expenses	-	3.50	28.90
Charity & Donation	10.62		12.25
Miscellaneous expenditure written off	3010.11		919.60
Provision for doubtful debts and advances	19.72		-
Loss on sale of trade investments	2.40		-
Foreign exchange rate difference (net)	153.31		118.37
Loss on sale / discard of fixed assets (net)	108.67		33.77
Provision for obsolescence of fixed assets	875.91		-
Advances written off	19.27		-
Provision for diminution in the value of investments	10.00		-
Share of losses in associate companies	85.41		168.63
Miscellaneous expenses	593.88		479.10
	24265.74		16911.05

* Legal and professional expenses include Rs 35.85 Lacs paid to a firm in which the partner of the firm conducting statutory audit is a partner

Schedule 21 : Decrease/(Increase) in Inventories

Inventories - Opening				
- Work-in-progress	2282.31		1814.12	
- Finished goods	3825.60		3356.37	
		6107.91		5170.49
Inventories - closing				
- Work-in-progress	2742.47		2282.31	
- Finished goods	7361.96	10104.43	3825.60	6107.91
		(3996.52)		(937.42)

Schedule 22: Financial Expenses

Interest				
- to banks	3365.64			2688.00
- others	42.69			112.80
Bank charges	85.73			140.43
	3494.06			2941.23

Schedule 23: Prior Period Expenses

Superannuation	332.00			-
Advertising and sales promotion	125.00			-
	457.00			-

Schedule 24: Earnings per share (EPS)

Net profit as per profit and loss account	(2363.16)		4764.00
Weighted average number of equity shares in calculating basic and diluting Earning per share	25287549		25287549
Earning per share	(9.35)		18.84



GOETZE (INDIA) LIMITED

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes on Accounts

1. Background

Goetze (India) Limited ('Goetze' or 'company'), was incorporated at New Delhi on 26th November, 1954, for manufacture, supply and distribution of 'automotive components' i.e. rings used in two/three/four wheeler automobiles.

In 2002, the company acquired 100% of the share capital of Escorts Pistons Limited (earlier Escorts Mahle Limited and incorporated in 1996), determined based on fair value of the business, approved by the statutory authorities.

Also, in 2001, the company acquired 100% of the share capital of Federal Mogul Sintered Products Limited (incorporated in 1996) for a mutually agreed consideration determined based on fair value of the business, approved by the statutory authorities.

The major facilities of the company are located at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan), with its registered office in New Delhi.

The company is listed at National Stock Exchange and The Stock Exchange, Mumbai.

2. Statement of significant accounting policies

a) Basis of preparation and consolidation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis.

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 23 (AS 23) "Accounting for investments in Associates in Consolidated Financial Statements".

The subsidiaries (which along with Goetze (India) Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Percentage of Ownership interest as at 31.03.2006	Percentage of Ownership interest as at 31.03.2005
Goetze TP (India) Limited	51 %	51 %
Satara Rubber and Chemicals limited	100 %	100 %

The audited financial statements of subsidiaries, considered in the consolidated accounts, are drawn upto 31st March, 2006.

Investments in Associates:

The Group's Associates are:-

Name	Percentage of Ownership interest as at 31.03.2006	Percentage of Ownership interest as at 31.03.2005
GI Power Corporation Limited	26 %	4.96 %
GTZ Securities Limited	23.67 %	23.67 %

The un-audited financial statements of group associates as at 31st March, 2006 are considered in consolidated account.

These investments have been accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net asset.

(i) These Consolidated Financial Statements are based on audited accounts in so far as they relate to amounts included in respect of subsidiaries and on basis of un-audited accounts in so far as they relate to amounts included in respect of associates.

(ii) The accounting policies followed by the Company are consistent with those used in the previous year except the change in accounting policies mentioned below.

b) Changes in Accounting Policies

- i) The company and its subsidiaries, towards better presentation of its results, during the year, has changed its hitherto followed policy of –
 - (a) amortizing termination benefits over 60 months to amortization of termination benefits fully, in the year when such expenditure is incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 1,540 Lacs.
 - (b) amortizing commission, upfront processing fee and syndication fee on term loans over the period of underlying loans to amortizing these costs fully in the year in which these are incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 384 Lacs.
 - (c) amortising development expenses over a period of six years to amortising these costs fully in the year in which these are incurred. Had the company continued its previous policy, losses for the year would have been lower by Rs. 56 Lacs.
- ii) The company, towards better presentation of financial statements, during the year, has changed its hitherto followed policy of showing certain fixed assets at revalued costs to original/historical cost. As a result of such change balance of revaluation reserve appearing in financial statements amounting to Rs. 1144.09 Lacs has been reversed with the corresponding credit to fixed assets. This change does not have any impact on the profit and loss account.

c) Tangible assets and depreciation

Tangible Assets

- i) Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

- ii) Depreciation is provided on straight line method basis. Depreciation is determined based on management's assessment of assets lives and is calculated at the rates so determined, which are either equal to or higher than rates provided for such assets under Schedule XIV of the Companies Act, 1956.



SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes on Accounts

iii)

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings - Factory	3.34	3.34
- Other	1.63	1.64
(iii) Furniture, fittings & office equipment	6.33	6.33
(iv) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
- Triple Shift	10.34	10.34
- Continuous process plant	5.28	10.34
(v) Vehicles - Employee	9.50	20.00
- Material Handling Vehicles	9.50	11.31
- Others	9.50	9.50
(vi) Office Equipment	4.75	4.75
(vii) Computers	16.21	16.21
(viii) Dies and Moulds	11.31	11.31

iv) Assets above include those acquired from Escorts Mahle Limited.

v) Plant and Machinery also includes self constructed machinery.

vi) Amounts 'added to'/'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.

vii) Depreciation on the amount of adjustment to fixed assets on account of capitalization of insurance spares is provided over the remaining useful life of related assets.

viii) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

d) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit. Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.

e) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other direct attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years. Software are amortised over a period of 5 years.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary, in the value of the investments.

h) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools: Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

Constructed Tools: Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

Work-in-progress, finished and trading goods: At cost or net realisable value, whichever is low. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.

Scrap: At net realisable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs, of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

b) Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

c) Dividends:

Dividend income is recognised when the shareholders' right to receive payment is established.

d) Export benefits/incentives:

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of exports made.



SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes on Accounts

J) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

k) Retirement and other employee benefits

(i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust" trust, administered by the trustees and to the Regional Provident Fund Commissioners.

(ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year.

(iii) Liability for leave encashment is determined on the basis of company policy and recorded on the basis of valuation by an independent actuary at the end of the financial year.

(iv) Superannuation Benefit

The Group has superannuation obligations under two separate schemes, administered with life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when confirmed against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such funds.

l) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. Segmental information

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components. The Company operates in one geographical segment and thus the disclosure requirement of Accounting Standard (AS-17) is not applicable.

4. Related party disclosure

During the year, the Company has entered into transactions with related parties.

Names of related parties:

i) Enterprises owned or significantly influenced by key management personnel or their relatives

- AN Enterprises Pvt Ltd
- An-Net Infotech Ltd
- Escorts Farms Ltd
- Hari Raj Investments & Consultants Pvt Ltd
- GI Insurance Services Limited
- Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited)
- Akme Projects Limited
- GI Power Corporation Limited (upto October 12, 2005)

ii) Key managerial personnel and their relatives

- Mr Anil Nanda
- Mr Arun Anand
- Mrs Renu Anand (wife of Mr Arun Anand)

iii) Coventurers

- Federal Mogul Vermögensverwaltungs GmbH, Germany
- Joint Investments Private Limited

iv) Associates

- GI Power Corporation Limited (w.e.f October 13, 2005)
- GTZ Securities Limited

Those transactions along with related balances as at March 31, 2006 and 2005 and for the years then ended are presented in the following table:



(Rs in Lacs)

	Coventurers						Associates					
	Federal Mogul Vermögensverwaltungs GmbH, Germany		Joint Investments Pvt. Ltd		Total		G.I Power Corporation Ltd.		GTZ Securities Ltd.		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales	(60.62)	-	-	-	(60.62)	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	200.12	27.52	-	-	200.12	27.52	-	-	-	-	-	-
Purchase of fixed asset	1120.20	-	-	-	1120.20	-	9.53	-	-	-	-	9.53
Purchase of power	-	-	-	-	-	-	(874.47)	-	-	-	(677.00)	(874.47)
Fund paid	-	-	-	-	-	-	878.22	-	-	-	678.63	878.22
Fund received	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	-	-	-	-	9.37	-	-	-	9.37	-
Loans taken	-	-	215.90	374.00	215.90	374.00	-	-	-	-	-	-
Loans given	-	-	(215.00)	(374.00)	(215.00)	(374.00)	-	(40.70)	(40.00)	(40.70)	(40.00)	(40.70)
Sale of investment	-	-	-	-	-	-	(33.84)	-	(123.56)	-	(157.40)	-
Purchase of investment	-	-	-	-	-	-	34.00	-	123.56	-	157.56	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Rent expense	-	-	48.00	48.00	48.00	48.00	-	-	-	-	-	-
Interest expense	-	-	-	2.47	-	2.47	-	-	-	3.89	-	3.89
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	-	-	-	-	-	1170.00	1170.00	-	-	1170.00	1170.00
Royalty expense	462.96	397.95	-	-	462.96	397.95	-	-	-	-	-	-
Investment	-	-	-	-	-	-	1138.61	1138.45	46.15	46.15	1184.76	1184.60
Balance outstanding as at the year end	(318.69)	0.70	2.90	-	(315.79)	0.70	0.01	14.13	0.70	40.70	0.71	54.83



GOETZE (INDIA) LIMITED

(Rs in Lacs)

Enterprises owned or significantly influenced by key management personnel and their relatives

Key managerial personnel and their relatives *

(see note below)

	Mrs Renu Anand		Total		AN -Enterprises Pvt. Ltd		Escorts Farms Ltd		Hari Raj Investments & Consultants Pvt Ltd		GI Insurance Services Limited		Gossini Fashion Limited /AN-GIP Leather (India) Limited		Total		
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-	-	-	-	-	988.09	1077.72	988.09	1077.72	1077.72
Purchase of fixed asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-	-	-	-	-	(1.91)	-	-	-	-	(1.91)
Fund received	-	-	-	-	-	-	-	-	-	-	-	-	1075.96	1045.00	1075.96	1045.00	1045.00
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	-	-	0.23	-	-	-	-	-	-	-	5.61	-	5.84	-	5.84
Loans taken	-	-	-	-	-	1846.17	-	1846.17	467.00	9.50	-	-	-	-	2313.17	9.50	2313.17
Loans given	-	-	-	-	-	(1957.17)	-	(1957.17)	(467.00)	(9.50)	-	-	-	-	(2424.17)	(9.50)	(2424.17)
Sale of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	(2.12)	-	(2.12)	-	-	-	-	-	-	(2.12)	-	(2.12)
Rent expense	25.44	19.44	25.44	19.44	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	13.85	-	0.27	-	-	-	-	-	-	13.85
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59.18)	(29.47)	(59.18)
Guarantees given / (obtained)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the year end	-	-	-	-	0.23	-	2.12	102.83	-	-	-	-	57.70	35.89	60.05	138.72	138.72

* The remuneration paid to directors is disclosed elsewhere in the notes to the accounts

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 25 : Notes on Accounts****5. Capital Commitment**

Estimated amount of contract remaining to be executed on capital account and not provided for

Particulars	Year ended 31.03.2006 (Rs. in Lacs)	Year ended 31.03.2005 (Rs. in Lacs)
Capital commitment	2919.24	2240.15

6. Contingent liabilities not provided for:

Particulars	Year ended 31.03.2006 (Rs. in Lacs)	Year ended 31.03.2005 (Rs. in Lacs)
(a) Bank Guarantees	133.17	112.22
(b) <i>Claims/notices contested by the company</i>		
i) Excise duty	433.54	325.86
ii) Sales Tax	97.62	197.30
iii) ESI Cases	75.25	39.34
iv) Employee Related Cases	61.23	13.00
v) Electricity Demand	52.24	56.87
vi) Income Tax Demands	361.09	123.68
vii) Consumer Cases	60.91	60.91
viii) Other Excise duty liabilities of subsidiary	14.24	12.23
ix) Others	-	0.01

(c) The company has given corporate guarantees as follows:

- On behalf of GI Power Corporation Ltd. (GIPCL) to Indian Renewable Energy Development Agency Ltd. (IREDA) upto Rs. 1170 Lacs (Previous Year Rs.1170 Lacs) for term loans granted by IREDA. Rs. 368.55 Lacs (Previous Year Rs. 532.35) of Term Loans are outstanding with GIPCL.

(d) i) The company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs. 1.5 Lacs.

ii) Undertaking:

In respect of the loans taken by GIPCL from IREDA, for its Wind Farm Power Project in Madhya Pradesh and Karnataka, the company has given undertakings for non-disposal of shares held in GIPCL and for giving corporate guarantee in the event of default in payment of dues by GIPCL.

(e) In relation to b (i) above Excise Duty cases contested by the company comprise of:

i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 Lacs.

ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.5.83 Lacs.

iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lacs.

iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/ Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 55.33 Lacs.

v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. Amount involved Rs. 39.95 Lacs.

vi) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2002-2003 to 2005-2006. Amount involved Rs. 12.16 Lacs.

vii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 14.02 Lacs.

viii) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 Lacs.

ix) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2004-2005. The company has taken legal opinion in this regard and is confident of success. Amount involved is Rs.223.26 Lacs.

(f) In relation to b (ii) Sales Tax cases contested by the company comprise of:

i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The amount involved is Rs. 59.23 Lacs.

ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs. 38.39 Lacs.

(g) In relation to b (iii) above Employee State Insurance claims comprise of:

i) In respect of demand from Employee State Insurance, relating to non deposit of employee state insurance on certain employee related expenses pending with the Assessing Officer for the period 1990-1991 to 2005-2006. Amount involved is Rs. 59.71 Lacs.

ii) In respect of demand from Employee State Insurance, relating to non-deposit of employee state insurance pending in ESI Court for the period 1989-1990 to 2004-2005. Amount involved is Rs. 15.55 Lacs.

**SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)****Schedule 25 : Notes on Accounts**

- (h) In relation to b (iv) above Employee related cases comprise of:
- Claims against the Company not acknowledged as debt, in respect of demands raised by the workers pending at Karnataka High Court for the period 1999-2000. Amount involved is Rs.61.23 Lacs.
- (i) In relation to b (v) above Electricity demand relates to:
- In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. Amount involved is Rs. 52.24 Lacs.
- (J) In relation to b (vi) above Income Tax cases disputed by the company:
- In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The matter is pending with ITAT and company is of the view that it has reasonable chance of success. The amount involved is Rs.110.51 Lacs.
 - In respect of Assessment Years 2001-02 & 2002-03 certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax Appeals and company is of the view that it has reasonable chance of success. The amount involved is Rs.80.38 Lacs.
 - In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax Appeals and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lacs.
- For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.
- (k) In relation to b (vii) above Consumer cases filed against the company:
- Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the company relating to defective goods for the period 1995-1996. Amount involved is Rs. 60.91 Lacs.
7. a) During the year, the company based on technical evaluation and usability study has written off/ discarded fixed assets, written down value of which amounts to Rs. 875.9 Lacs (Gross value Rs. 1,958.22 Lacs).
- b) Fixed assets and capital work in progress Rs. 800 Lacs under Schedule 7 includes Rs. 800 Lacs representing certain machineries constructed by the company during the year, for which cost records are incomplete to enable ascertaining appropriateness of amounts capitalized. Management is in process of preparing these details and is of the opinion that no material adjustment shall arise once these records are complete.
8. The Company held 23.67% in the equity share capital of GTZ Securities Limited since April 2000. The Company, to comply with the requirements of Accounting Standard 23 on "Accounting for investment in Associates in consolidated financial statements" issued by the Institute of Chartered Accountants of India, during the year has recorded the proportionate share of company's results in its consolidated financial statements.
9. Pursuant to management reassessment of transfer of risk and rewards on sale of goods, it has derecognized sales of Rs. 3,972.95 Lacs and recorded stock amounting to Rs. 2,964.79 Lacs in its books.
10. The Company has a vegetable oil division at Alwar (Rajasthan). The Company discontinued production in this division in 1999. During the year ended June 30, 2000, plant and machinery (cost as on June 30, 1999 Rs. 1,017.33 Lacs and accumulated depreciation Rs. 309.54 Lacs) was retired from active use and were reclassified as assets held for sale. These assets were valued at Rs. 525 Lacs, being lower of the written down value (Rs. 707.79 Lacs) or net realizable value (Rs. 525 Lacs). Due to its inability to sell the assets management made provision for impairment losses of Rs. 250 Lacs during the year ended March 31, 2005. During the current year, the management has made a further provision of Rs. 258.07 Lacs in the absence of buyers for the said assets, leaving a balance of Rs. 16.93 Lacs as net realizable value of these assets, leaving a balance of Rs. 16.93 Lacs as net realizable value of these assets.
11. The company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on March 31, 2006 is as under:

Particulars of Derivatives

Outstanding Forward contracts
Buy
USD 38.5 Lacs

Purpose

Hedge of repayment of borrowings.

The amount of foreign currency exposure that are not hedged by a derivative instrument or otherwise as on March 31, 2006:

Particulars	Amount INR	Foreign Currency
Borrowings	222754431.90	4966654 USD
Borrowings	28137410.00	627367 USD
Borrowings	3898199.60	71161 EURO
Borrowings	5755292.40	73176 GBP
Debtors	451381882.00	1064256 USD
Debtors	4385139.00	80050 EURO
Debtors	7722564.00	98189 GBP

12. Previous year's figures have been regrouped and rearranged wherever necessary.

As per our report of even date

For S.R.Batilbhoi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT**

	For the year ended March 31, 2006 Rs. Lacs	For the year ended March 31, 2005 Rs. Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after exceptional item but before tax	(3674.93)	3430.74
Adjustments for		
Depreciation and amortisation	3722.33	2949.92
Loss on sale / discard of fixed assets (net)	108.67	33.77
Provision for obsolescence of fixed assets	875.91	-
Loss on sale of trade investments	2.40	-
Provision for doubtful debts	19.72	-
Advances written off	19.27	-
Provision for diminution in the value of investments	10.00	-
Interest income	(75.28)	(179.80)
Share of losses in associate companies	85.41	168.63
Dividend income	-	118.37
Interest expense	3408.33	2800.80
Excess provision written back	(116.54)	-
Provision for Impairment of Asset	258.07	250.00
Miscellaneous expenditure written off	3010.11	948.08
Operating Profit Before Working Capital Changes	7653.47	10520.51
Movements in working capital :		
Decrease / (Increase) in sundry debtors	2133.38	133.18
Decrease / (Increase) in current assets	(21.62)	3.77
Decrease / (Increase) in inventories	(4308.59)	(2257.70)
Decrease / (Increase) in loans and advances	398.89	(538.71)
Increase / (Decrease) in current liabilities	808.02	528.19
Cash generated from operations	6663.55	8389.24
Direct taxes paid (net of refunds)	(496.83)	(438.21)
Net Cash from Operating Activities	6166.72	7951.03
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets/ Intangible/ Assets	(4654.63)	(7518.73)
Proceeds from sale of fixed assets	(43.57)	62.83
Purchase of investments	(157.56)	(1000.00)
Sale / maturity of investments	654.18	1823.49
Interest received	69.73	179.80
Dividends received	-	(118.37)
Net Cash from Investing Activities	(4131.85)	(6570.98)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Misc Exp. Paid	(888.62)	(1238.41)
Movement in borrowings	3635.98	3315.74
Interest paid	(3414.78)	(2800.80)
Dividends paid	(1070.30)	(852.68)
Tax on dividend paid	(147.87)	(114.08)
Net Cash Used in Financing Activities	(1885.59)	(1690.23)
Net increase in cash and cash equivalents (A + B + C)	149.28	(310.18)
Cash and cash equivalents at the beginning of the year	148.59	458.77
Cash and cash equivalents at the end of the year	297.87	148.59
Components of cash and cash equivalents as at	March 31, 2006	March 31, 2005
	Rs. in lacs	Rs. in lacs
Cash and cheques on hand	11.38	6.95
With banks - on current account	169.50	40.77
- on unclaimed dividend account	82.63	70.65
- cash credit / overdraft	34.36	30.22
	297.87	148.59

For S.R.Batliloi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813
New Delhi
Date: June 30, 2006

For and on behalf of the Board of Directors

Arun Anand
Managing Director & CEO

Rainer Jueckstock
Director

M.M. Sabharwal
Director

Rajan Luthra
Financial Controller & Company Secretary

GOETZE (INDIA) LIMITED
A-26/3, Mohan Co-operative Industrial Estate
Mathura Road, New Delhi-110044
Phone: 011-41497600 Fax: 011-41497601