



the spirit of
SUCCESS



*Celebrating
25 years of
nation building !*

Subhash Projects And Marketing Limited

The spirit

of success!



Passion in our hearts, ideas in our brains
dreams in our eyes, fire in our veins
and a whole lot of emotion, in our system.

At SPML, we call it the spirit of success !

Our guiding light !



OUR MISSION

To constantly evolve. To continuously grow. To go beyond boundaries and explore new horizons. To scale new heights and create new benchmarks. To become a global leader in the infrastructure sector and to establish leadership in the consumer and financial sectors by:

- ▶ Offering world class quality product and services.
- ▶ Total involvement of our people.
- ▶ Entering into strategic alliance.
- ▶ Providing total customer satisfaction.
- ▶ Nurturing relationship with our associates.

P.C. Sethi
Chairman Emeritus



with **8** offices in India

134 infrastructure projects

across the country, a dedicated **family**

of **850** strong individuals and

a business of Rs. **2500** crores, everybody says

that this is only the tip of an **iceberg.**

At **SPML**, we call this the

spirit of **success !**



OUR EVER EXPANDING

WATER

- water treatment plants
- pumping stations
- cross country pipelines
- overhead reservoirs
- distribution system



POWER

- hydro power
- wind power



ELECTRICAL DISTRIBUTION

- switchyards
- rural electrification
- transmission & distribution
- earthing, lighting & cabling



INFRASTRUCTURE

- bridges
- roads and highways
- industrial construction



UNIVERSE OF SERVICES !

ENVIRONMENTAL

- sewage treatment plant
- effluent treatment plant
- solid waste management



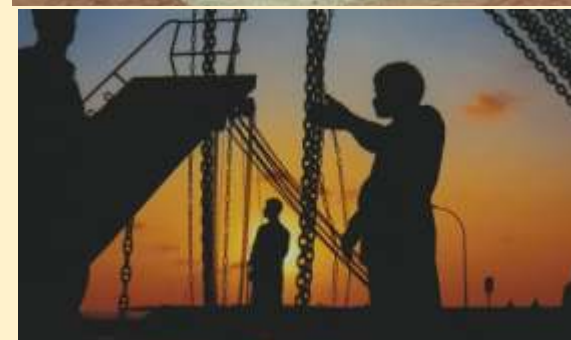
ENGINEERING

- domain expertise
- end-to-end solutions
- full scalability
- wider choices



OPERATION & MAINTENANCE

- complete operation and maintenance of the project



TURNKEY SOLUTIONS

- single-source responsibility
- multi-stream expertise
- superior engineering
- quality assurance



A COUNTRY WIDE LIST OF OUR PROJECTS

12,000 feet above sea level
we constructed the highest single-stage
pumping station in the world.



ANDHRA PRADESH

1. Sripadasagar Make-up Water Supply Project
2. Tirupati Devasthanams Pipeline Project
3. Canal Work at Ananthpur
4. Canal Work at Karimnagar

ARUNACHAL PRADESH

5. Nuranang Hydel Power Project

ASSAM

6. Zoo Road Water Supply Scheme
7. Jorhat Water Supply Scheme
8. Goalpara Water Supply Scheme
9. Raw Water Treatment Plant for IIT, Guwahati
10. Greater Diphu Water Supply Scheme
11. Electric Sub-station for Jorhat TV studio

BIHAR

12. Gaya circle power T & D revamp Project
13. Purnea circle power T & D revamp Project
14. New Sub-stations work for PESU (East) circle in Patna
15. Rural Electrification Project in Rohtas and Kaimur
16. Rural Electrification Project in Araria and Purnea
17. Rural Electrification Project in Gaya
18. Ash Water Re-circulation System Package For Barh Super Thermal Power Project

CHHATISGARH

19. Korba (W) Water Supply Scheme
20. Gevra project for supply and laying of steel hume pipes

DELHI

21. Geeta Colony Water Supply Project
22. Clear Water Pumping Station at Haiderpur
23. Delhi Cantonment Clear Water Booster Pumping Station

24. Rohini Booster Pumping Station
25. Model Town Clear Water Pumping Station
26. Bawana Clear Water Pumping Station
27. Piragarhi Pumping Station
28. Dwarka Sewage Pumping Station
29. Okhla Sewage Treatment Plant
30. Shalimarbagh Sewage Pumping Station
31. Yamuna Vihar Effluent Pumping Station
32. Combined Effluent Treatment Plant at Okhla
33. Combined Effluent Treatment Plant at Nairana
34. Combined Effluent Treatment Plant at Lawrence Road Industrial Area.
35. Combined Effluent Treatment Plant at Udyog Vihar, Bawana
36. Infrastructure Work for Udyog Vihar, Bawana
37. Noida - Greater Noida Expressway Project

GUJARAT

38. Saurashtra Water Supply Project

HARYANA

39. Gurgaon Sewage Pumping Station
40. Faridabad Sewage Pumping Station
41. Power T&D Work for Haryana Vidyut Prasaran Nigam Limited

HIMACHAL PRADESH

42. Hydel plants at Binwa, Iqu, Neogal, Awa and Luni

JAMMU & KASHMIR

43. Srinagar Pumping Station

JHARKHAND

44. Jamshedpur circle power transmission & distribution revamp Project

In the wind corridors of Tamil Nadu
we constructed one of the largest
windfarms in Asia.

We are responsible for laying
one of the longest cross country
MS water pipeline in India.



KARNATAKA

- 45. Cauvery Water Supply Scheme
- 46. Chamrajnagar Water Supply Scheme
- 47. Devangere comprehensive water supply scheme
- 48. Mysore Water Supply Scheme
- 49. Chennapatna Pumping Station
- 50. Sewage Treatment Plant at Yelahanka
- 51. Sewage Treatment Plant at Mysore
- 52. Hanumansagar Wind Farm
- 53. Nanjapura Lift Irrigation Scheme
- 54. Kabini Hydel Power Project
- 55. Power T&D Work for Bangalore Electric Supply Company
- 56. Power T&D Work for Gulbarga Electric Supply Co. Limited
- 57. Power T&D Work for Hubli Electric Supply Co. Limited
- 58. Karnataka Power Transportation Co. Limited

- 59. Water Supply Projects at Simoga and Hubli
- 60. Lift Irrigation Schemes at Simoga, Gadag and Belgaum of Karnataka Neeravari Nigam Limited
- 61. Water Supply Project of Kerala Water Authority
- 62. Lift Irrigation Project at Mysore of Cauvery Neeravari Nigam Limited
- 63. Lift Irrigation Project at Gulbarga for Krishna Bhagya Jal Nigam Limited

MADHYA PRADESH

- 64. Kathora Water Supply Scheme
- 65. Kolar Pipeline Augmentation Project
- 66. Bhopal Pipeline Project

MAHARASHTRA

- 67. Khura Vadoda Water Supply Scheme
- 68. Prakasha Barrage - Burai Dam Water Supply Scheme
- 69. Tembhu Water Supply Scheme

- 70. Shirbhavi Water Supply Scheme
- 71. Langharpur Water Supply Scheme
- 72. Hole Water Supply Scheme
- 73. Lasangaon & Vinchur Water Supply Scheme
- 74. Vijaydurg Water Supply Scheme
- 75. Latori, Amgaon & Kholgarh Water Supply Scheme
- 76. Jihekatkapur Water Supply Scheme
- 77. Urmodi Water Supply Scheme
- 78. Bhagada Water Supply Scheme
- 79. Widening and Strengthening of Western Express
- 80. Highway Airport Junction to Andheri Flyover
- 81. Power T & D work for Maharashtra State Electricity Distribution Co. Ltd.

MANIPUR

- 82. Electric Sub-station for Imphal TV studio

MEGHALAYA

- 83. Electric Sub-stations for Shillong and Tura TV studios

MIZORAM

- 84. Greater Lunglei Water Supply Scheme
- 85. Greater Aizawl Water Supply Scheme
- 86. Electrical Sub - station in Aizwal TV studio

NAGALAND

- 87. Electric Sub-station for Kohima TV studio

ORISSA

- 88. Water Supply System for Paradip Port Coal Handling Project

PUNJAB

- 89. Augmentation of Chandigarh Water Supply Scheme
- 90. Construction of Phagwara Bye-pass
- 91. Widening & strengthening of Ropar-Balachaur Road

We've created the first ever 3 stage sewage treatment plant in India at Yelahanka, near Bangalore.

No wonder, today we're one of India's topline multi-disciplinary infrastructure engineering organization.



RAJASTHAN

- 92. Churu Pipeline Project
- 93. Rajiv Gandhi Lift Canal (Phase – II) Water Supply Project
- 94. Bisalpur Water Supply Project
- 95. Ramganjmandi-Pachpahar Drinking Water Supply Project
- 96. Khanpur Drinking Water Supply Project
- 97. Dharnasar Pumping Station Project
- 98. Sawaimadhapur Water Supply Project

SIKKIM

- 99. Electro-Mechanical work for double stage Pumping Station at Namchi

TAMIL NADU

- 100. Water Supply Scheme for Mylapore zone in Chennai
- 101. Patel Nagar Water Distribution Station in Chennai
- 102. Palayamkottai Pumping Station
- 103. Effluent Conveyance, Pipeline Project for Chennai

- 104. Ayanarathur, Muppandal and Kayathar Wind Farms
- 105. Poolvadi Wind Farm
- 106. Vadacankulam Wind Farm
- 107. Udurnalpet Wind Farm
- 108. Plant water for Neyveli Lignite Corporation

TRIPURA

- 109. Sub-station for TV transmitter at Agartala

UTTARANCHAL

- 110. Three mini hydel power plants at Naitwar under Rupin Hydro Electric Project

UTTAR PRADESH

- 111. E & M work for Lucknow Water Treatment Plant
- 112. Ghaziabad Clear Water Pumping Station
- 113. Jhansi Water Supply Scheme
- 114. Agra Water Supply Scheme

- 115. Sewage Pumping Station at Agra
- 116. Moradabad Power T & D revamp Project
- 117. Firozabad & Mainpuri Rural Electrification Project
- 118. Renovation and Modernization of Sub-Station at Moradabad

WEST BENGAL

- 119. Water intake & plant water systems package for Bakreswar Thermal Power Station
- 120. Make-up water system package for Santaldih Thermal Power Station
- 121. Lakshmanpur Water Supply Scheme
- 122. Lake Town Surface Water Supply Scheme
- 123. Salt Lake Water Supply Scheme
- 124. North Howrah underground sewage lifting station
- 125. Underground raw sewage main pumping station at South Suburban (East)

- 126. Burdwan circle power T & D revamp project
- 127. East Medinipur Rural Electrification Project
West Medinipur Rural Electrification Project
- 128. Jalpaiguri circle power T & D revamp project
- 129. Construction of new sub-stations at Namkhana, Serakol and Bhasa
- 130. Renovation & Modernisation of Sub-Stations in 24 Parganas (S) Circle
- 131. Renovation & Modernisation and construction of sub-stations in Howrah Circle
- 132. Renovation & Modernisation of Sub-Stations in Bidhannagar Circle
- 133. Renovation and strengthening of existing LT lines and LT phase in Siliguri
- 134. Dalkhola Road Project for National Highway Authority of India Limited



WATER MANAGEMENT



Today, when we commission a water treatment plant, we are blessed by thousands of thirsty souls. Water happens to be the most important fuel for mankind. Perhaps, it's more important and precious than oil.

In water management the scope of our services starts from site survey to identification of water sources, geo-technical investigations, detailed engineering plans, procurement of equipment, construction, operation and maintenance of the project after commissioning. Our services also include pumping water from identified sources, constructing raw water pumping mains, water treatment plants, pumping stations, bridges, cross-country pipelines and overhead reservoirs.

In water management, our major ongoing projects are :

- i) **Water supply Project for Sawaimadhopur, Rajasthan**
Client : Public Health Engg. Dept., Govt. of Rajasthan
Contract value : **Rs. 270 crores**
- ii) **Water Supply Project, Kerala**
Client : Kerala Water Authority
Contract value : **Rs. 180 crores**
- iii) **Irrigation Projects at Karnataka**
Client : Karnataka Neeravani Nigam Limited
Contract value : **Rs. 157 crores**
- iv) **Sripadsagar Make Up Water Supply Project**
Client : Government of Andhra Pradesh
Contract value : **Rs. 100 crores**
- v) **Water Supply Project for Yamuna Vihar, Delhi**
Client : Delhi Jal Board
Contract value : **Rs. 50 crores**
- vi) **Ash Water Re-circulation System Package For Barh Super Thermal Power Project (3 X 600 MW)**
Client : NTPC Ltd.
Contract value : **Rs. 23.71 crores**





POWER GENERATION



Today, when we construct a power plant we illuminate thousands of homes and enlighten million lives. We're happy to generate power that brings happiness to your homes and lights up the economy.



Our 25 year partnership with nature has made us capable to understand its varied moods and mercurial temperament. Probably the reason why, setting up complex hydro power projects even in the remotest part of the country is not difficult for us. Irrespective of all natural obstacles. Unfriendly terrain, unpredictable climate, no approach roads and miles of impenetrable jungles. Our engineers battle cold and hostile terrain to generate power that brings happiness to your homes and lights up the economy.

In **Hydro power**, our scope of services ranges from identifying specific project sites, design the systems, excavate dam sites, construct dams, intake structures, radial gates, headrace tunnels, surge shafts, penstocks, underground power houses, electrical switchyards, HT lines & transformers, install turbines, integrate with the grid, test, commission, operate & even maintain the plant after commissioning. In **Wind power**, our scope of services include identifying site-specific equipment, prepare detail project reports, test the generating unit, commission the project, offer maintenance services and recommend expansion through upgrading of existing equipment.

In hydro power generation, our major ongoing projects are :

- i) Hydel Power Plants at **Iqu**, **Neogal**, **Awa** and **Luni** districts of Himachal Pradesh

Contract value : **Rs. 110 crores**

ELECTRICAL DISTRIBUTION

Of the people, by the people, for the people. Power for all. SPML is committed to transmit and distribute power at every nook and corner of this country. To millions of homes and thousands of industries. By 2012.

SPML has emerged as a major player in **electrical distribution** projects with unmatched delivery standards and a definite national perspective. In sync with the national agenda, rural electrification is a priority sector for us. Our scope of services include detailed survey & design, selection of equipment, specifications, layouts & schematics. Preparation of various protection schemes, selection of earthing, lighting & cabling, erection, testing, commissioning & even operation and maintenance of the project.

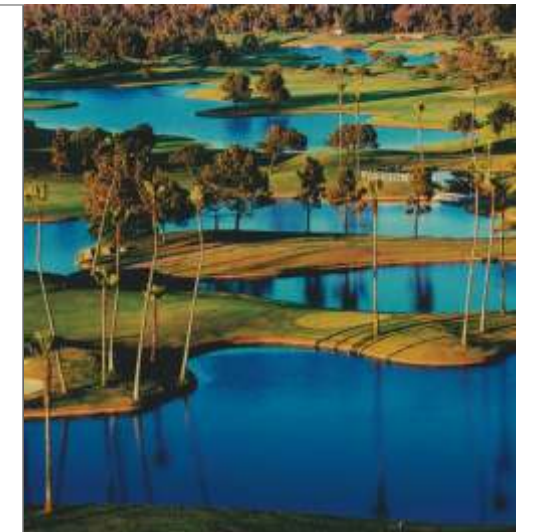
In electrical distribution, our major ongoing projects are :

- i) **Rural Electrification Project for Rohtas, Kaimur, Araria, Gaya, Purnea and West Midnapur**
Client : Power Grid Corporation of India Limited
Contract value : **Rs. 320 crores**
- ii) **Transmission & Distribution Project, Gulbarga**
Client : Gulbarga Electricity Supply Co. Limited
Contract value : **Rs. 187 crores**
- iii) **Transmission & Distribution Project, Bangalore**
Client : Bangalore Electricity Supply Co. Limited
Contract value : **Rs. 143 crores**
- iv) **Transmission & Distribution Project, Maharashtra**
Client : Maharashtra State Electricity Distribution Co. Limited
Contract value : **Rs. 132 crores**
- v) **Rural Electrification Project for Firozabad and Mainpuri**
Client : Dakshinanchal Vidyut Vitran Nigam Limited
Contract value : **Rs. 80 crores**
- vi) **Rural Electrification Project for East Midnapur**
Client : Damodar Valley Corporation
Contract value : **Rs. 64 crores**
- vii) **Transmission & Distribution Project, Haryana**
Client : Haryana Vidyut Prasaran Nigam Limited
Contract value : **Rs. 40 crores**





ENVIRONMENTAL



Rocking cities. Huge infrastructure. Big population. And bigger sewage problems. Our environmental projects across the country are aimed to solve the long standing problem of sewage disposal and create a clean green future.



We have created the first ever sewage treatment plant in India consisting of three-stage sewage treatment system (primary, secondary and tertiary) at Yelahanka, near Bangalore. For the first time in India, we used a unique gas mixing system instead of the conventional mechanical mixing system for sewage treatment at Okhala Sewage Treatment plant in Delhi.

In **environmental engineering** our scope of work includes constructing sewage treatment plants, effluent treatment plants and recently we have entered the sector of solid waste management. At SPML, the sewage/effluent is treated in such a manner that it becomes suitable for reuse in industry.

In environmental engineering, some of our major projects are :

- i) **Yelahanka Primary / Tertiary Sewage Treatment Plant**
- ii) **Mysore Sewage Treatment Plant**
- iii) **Okhla sewage treatment plant**
- iv) **Combined Effluent Treatment Plant** at Okhla Industrial Area

Major ongoing projects :

- i) **Effluent Treatment Plants at Bawana & Nairana**
Client : Delhi State Industrial Development Corporation Limited
Contract value : **Rs. 68 crores**



INFRASTRUCTURE

Today, when we build a road, we not only connect hundreds of people but thousands of hopes and millions of dreams. Roads that travel to the future.
To a future that's full of opportunities and growth.



Over the years, **SPML** leveraged its core competence in **infrastructure**, enabling it to capitalise on emerging infrastructure trends and enter new segments. The result is a breadth of industry presence today, making it possible for the company to address every economic upturn with one of the largest capture of value added projects and assignments. Our infrastructure division puts the cutting edge of infrastructure technology to work on various projects across the country. From highways and roads to industrial construction, from building bridges to housing development, **SPML** with a dedicated workforce and a strong quality control policy, is committed to bring a total infrastructure revolution in the country. With India striving for a place among the high-income nations of the world, developing a strong infrastructure base assumes even greater importance.

Major ongoing projects :

- i) **Offsite Area Civil Works Package for Barh Super Thermal Power Project (3 X 660 MW).**
Client : NTPC Ltd.
Contract value : **Rs. 120.62 Crores.**
- ii) **Main Plant Civil Works Package for Korba Super Thermal Power Project, Stage III (1 X 500 MW)**
Client : NTPC Ltd.
Contract value : **Rs. 67.60 Crores.**
- iii) **Construction of Dalkhola Bye Pass**
Client : National Highways Authority of India Limited
(Joint Venture basis)
Contract value : **Rs. 56 crores**





ENGINEERING



Twenty years from now you will be more disappointed by the things you didn't do than by the ones you did. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream.



The business of design and construction is one of the most challenging. Make one mistake and you put human life in danger. Make one mistake and you create a bad product. Make one mistake and you could delay project commissioning. Make one mistake and you inflate project cost. Make one mistake and you ruin years of branding.

At **SPML**, we are proud to have created an organisation that enjoys the client's trust for safe and quality assignments delivered on schedule within the agreed delivery metrics. Derived out of years of understanding needs, terrains, people, industries and equipment. Resulting in prosperity of all whom we touch.

Some of the country's best electrical, civil and mechanical engineers in **Engineering Consultancy** services are employed by **SPML**. When it comes to actually setting up a project, our engineers are involved from scratch. Beginning with survey, through equipment selection and supervision of construction, engineering and commissioning, right up to trouble shooting. Services that're of international standards in design as well as execution. Services that encompass system studies, project management, cost control and technology development. And services that are cost-effective.

AN EMINENT BOARD OF DIRECTORS TO FACILITATE GROWTH



Mr. Anil Sethi

Chairman, 54, is a Commerce graduate. His extraordinary entrepreneurial acumen has inspired us to build this Company as a multi-faceted conglomerate. He has been instrumental in developing the concept of Turnkey Developers for non conventional energy projects in India. His leadership has enabled the Group to foray into several hydro power projects and wind power plants.



Mr. Subhash Sethi

Vice Chairman, 50, is a Commerce graduate. He is considered as a backbone behind the success of the group. He brings with him a wealth of experience in contract financing and contract execution and management. His contract management skills have enabled the group to execute Turnkey Projects successfully. A hard task master, his innovative leadership management is a source of our constant inspiration.



Mr. Sushil Sethi

Managing Director, 48, he looks after the marketing, tendering and business development activities of the group. He began his career in 1981 and has grown with the company to garner rich experience in the execution of EPC contracts in water supply projects, cross-country pipelines, power generation, infrastructure development and transmission and distribution works.



Mr. Deepak Sethi

27, an MBA from Deakin University, Australia, he infuses enthusiasm into the group with his new age business tactics. He is currently involved in the marketing, planning, execution, operation and maintenance of large infrastructure projects. He has been instrumental in developing the Information and Technology edge within the organization. He has the dream of taking the organization to the global heights where it can emerge as a true business leader.



Mr. K. Mukhopadhyay

62, BE in civil from Bengal Engineering college, he is a renowned engineering expert in the field of civil, mechanical and Turnkey construction. With more than 35 years of experience ranging from refineries and petrochemicals to highways, roads, bridges and other infrastructure facilities in the country, he is widely acclaimed and recognized for his views on market scenarios, business strategies and management practices.



Mr. B. B. Chakraborty

70, is a BE in Civil from Bengal Engg. College, DCT from Leeds, MICE and MI in structural engineering from London, he has 40 years of experience in design, detailed engineering and planning. He shares a long association with some of the best institutions of the country. His experience covers the construction of rolling mills of steel plants, mega hydro power projects, design of RCC structures and foundation for dams and power stations in UK.



Mr. R. L. Gaggar

74, is a noted practicing lawyer from the High Court in Kolkata. He brings with him a rich experience in lawsuits and arbitration. His ever lasting quality of determining truth from the fact of any case has earned him major accolades. He has held major directorial positions in many of the renowned organization in the country.



Mr. A. Bhattacharjee

70, a fellow member of the Institute of Chartered Accountants of India, he has more than 42 years of experience in the field of Corporate Finance. He was Director (Finance) of West Bengal Power Development Corporation Limited, a Government of W.B. undertaking for 15 years. Presently, he is the Director (Finance) of DC Industries Plant services (P) Ltd. He is also a member of NIPM, Founder Secretary of College of Engg. & Management, Kolaghat, and the visiting faculty of Indian Institute of Social Welfare & Business Management.



“We expect healthy and sustainable growth from the infrastructure sector”

Mr. Anil Sethi, Chairman, reviews the performance for the year and outlines the strategy for the future

Dear Shareholders,

As we look back over the years, our sustained growth has enabled us to emerge as a complete infrastructure solution provider for the nation. The past few years have been a great learning experience at SPML. Driven by the spirit of success, we always had an eye on growth. This is amply reflected in the fact that we have posted a turnover of Rs. 368 crores in 2005-06 as against

Rs. 229 crores in 2004-05, a growth of around 61%. Net income scaled new heights, confirming the profitability of operating activities. Profit recorded is Rs. 21 crores as against Rs. 3.75 crores during the previous year. Taking into account the satisfactory performance of the company, the Board of Directors has declared a dividend of 40% as against 20% in the previous year.

Our strengths

A time proven reputation for timely and quality execution of projects. Single minded focus on Infrastructure. A wealth of experience across verticals, companies and geographies. Presence across major infrastructure verticals. A large pool of engineers, technical personnel and professionals. World class asset base. Powered with 25 years of corporate

POINTS OF OPTIMISM

- The economy continue to grow at almost 8%
- Vibrant capital markets and increasing FDI inflows
- Rs. 7,121 crores allocated for irrigation and Water Management
- The Budgetary proposal for ‘Bharat Nirman’ has been fixed at Rs. 18,696 crores
- Govt. of India have announced Projects worth Rs. 70,98,450 million
- Decision to allow 100% FDI in construction

experience, our vision for the future is to create an organization that would enjoy strong accolades at the local, national and international level.

The National scenario

The Indian Economy has continued to register a high growth rate in the current year. There is every reason to believe that 8 - 8.5% GDP growth rate is sustainable so long as the present level of investments in infrastructure continues.

I believe that, today India is standing on the verge of an infrastructure revolution. The Indian Infrastructure industry is riding on a growth wave powered by the large spends on the ongoing Infrastructure programs. The evidence of this growth is visible all over the country. It includes hospitals, urban infrastructure, highways, roads, ports, railways, airports, power systems, telecom, irrigation and agriculture systems.

Construction is the second largest economic activity in the country after agriculture. It employs a total of 32.5 million workers. The size of the construction industry in India is over \$25 billion and it accounts for more than 6% of the GDP. Construction accounts for 40% – 50% of the total investment in the country. This requires an investment of Rs. 4,000 billion every year. The Government’s decision to allow 100% FDI in construction has put the spotlight on a sector has been growing rapidly in recent times.

The Budgetary proposal for 2006 – 07 for ‘Bharat Nirman’ has been fixed at Rs. 18,696 crores, an increase of 54% over previous year, which would be used for face lifting the rural India in terms of development of irrigation, power and roads. On the irrigation and Water Management front, the outlay for 2006 – 07 has been fixed at Rs. 7,121 crores.

As per CMIE, India Inc. and the Government of India have announced Projects worth Rs. 70,98,450 million in the next 5 – 7 years and your Company is well poised to take advantage of this opportunity.

I would like to share the features that evolve around your Company to grow upward. Strategic and robust business plans in newer domains and capitalizing on new value creation opportunities were some of the hallmarks of the year gone by.

Future ahead

With the ongoing implementation of ERP systems, we have added yet another tool and the latest technology in our portfolio.

We look to the future with optimism because the centre of economic growth is shifting to Asia. India’s economy, continue to grow at almost 8% is a major factor in realizing our vision. The robustness of the Indian economy is reflected through its vibrant capital markets and its increasing FDI inflows.

Our exploration programme on the Infrastructure development side is going

full throttle and the signs are very encouraging. We believe that we will emerge as a significant player in the Infrastructure and Power sectors.

Our people

As our journey continues, it is crucial that your company invests in physical and intellectual capital by creating ‘tomorrow’s talent – professionals’ equipped to perform at the highest standards in a global setting. To develop world class professionals, the company continues to invest in the learning and development of its young employee base. Not only is it, arming them with the latest information and technology tools, but is creating new mind-sets that pay increasing attention to cross-disciplinary skills, develop a problem-solving attitude and above all build a successful teamwork, where every roadblock inspires them to discover a new idea.

Note of thanks

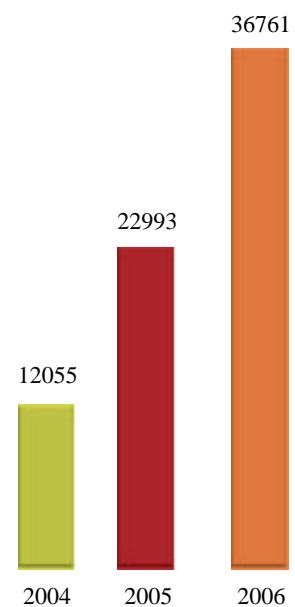
I have continued to enjoy overwhelming support from the Board of Directors of SPML. I would like to take this opportunity to express my gratitude to the Board, customers, suppliers, bankers, employees and all our shareholders for their unceasing confidence and support.

Sincerely,

Anil Sethi
Chairman

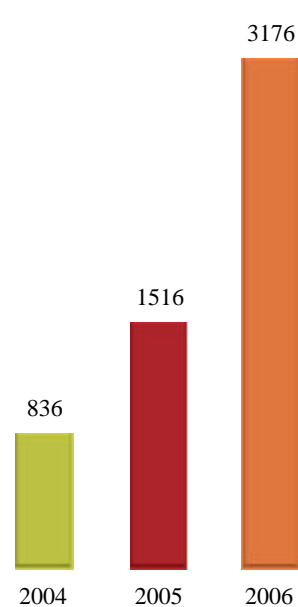
FINANCIAL HIGHLIGHTS

Income from operations
(Rs. in lacs)



Revenues are up from the previous year. Despite various challenges, a combination of strong organic growth and a forward looking economy enabled the company to record very satisfactory overall development.

Operating Profit
(Rs. in lacs)



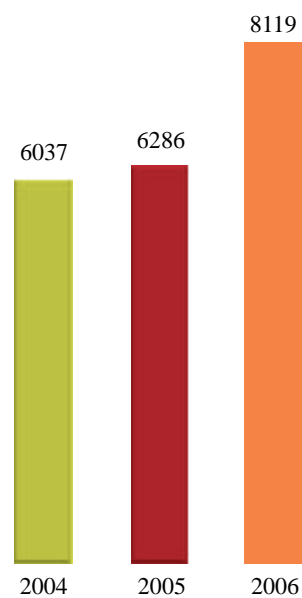
Increased revenues combined with good containment of operating expenses led to substantial increase in operating profits compared with 2005.

Net Profit
(Rs. in lacs)



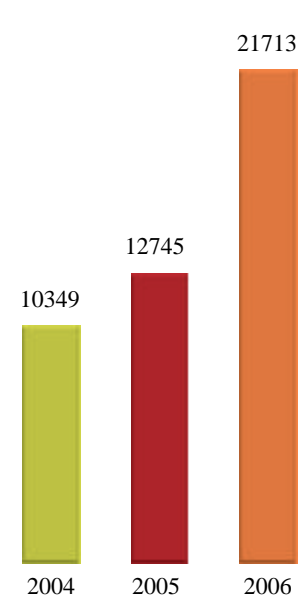
Net income scaled new heights, conforming the profitability of operating activities.

Net worth
(Rs. in lacs)



Sustainable growth in net worth after payment of dividend.

Capital employed
(Rs. in lacs)



Capital employed continued to climb, conforming to increased activities.

And there will be a day, when every single individual of this country will have safe and sufficient water, every home will be illuminated by the power of an electric bulb, every village of this country will be well connected by roads, every soul will shine brightly with thousands rays of hope and every heart will have the power to fullfill a thousand dreams. And that will be the beginning. The beginning of a whole new India.

Subhash Sethi
Vice Chairman



CORPORATE INFORMATION

**Executive Vice President (Finance)
and Company Secretary**

B. N. Choudhary

Registered office

F-27/2, Okhla Industrial Area, Phase II,
New Delhi - 110 020

Head office

Corporate
22, Camac Street, Block – A,
3rd Floor, Kolkata – 700 017

Engineering

113, Park Street, Poddar Point, South Block,
3rd Floor, Kolkata 700 016

Regional office

- (i) 8/2, Ulsoor Road, Bangalore - 560 042
- (ii) Fancy Bazar, Guwahati 781 001
- (iii) Om Tower, 3rd Floor, Church Road,
M I Road, Jaipur – 302 001
- (iv) Hem Plaza, 305-A, Fraser Road,
Patna – 800 001
- (v) C, Kanha – Nirupam Tower,
62, Malviya Nagar, Bhopal – 462 003

Bankers

- (i) Canara Bank
- (ii) Andhra Bank
- (iii) Bank of Baroda
- (iv) State Bank of Travancore
- (v) State Bank of Hyderabad
- (vi) State Bank of Mysore
- (vii) State Bank of Bikaner & Jaipur
- (viii) Punjab National Bank
- (ix) Oriental Bank of Commerce
- (x) Syndicate Bank
- (xi) Union Bank of India
- (xii) IDBI Bank Ltd.

Auditors

Sunil Kumar, Gupta & Co.
Chartered Accountants
B-2, Magnum House - 1
Karampura Commercial Complex,
New Delhi - 110 015

Registrar & Share Transfer Agents

Maheswari Datamatics (P) Ltd.
6, Mangoe Lane, 2nd Floor
Kolkata 700 001.

FINANCIAL SECTION

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are delighted to present the 25th Annual Report on your company's operations and performance together with the audited financial statements for the year ended 31st March 2006. The last fiscal was an year of excellent all round performance.

Financial Results**(Rs. in Lacs)**

| Particulars | 2006 | 2005 |
|---|----------------|----------------|
| Gross Operating Revenue & Other Income | 36984.20 | 23163.93 |
| Profit before Tax | 2142.60 | 582.62 |
| Provision for Taxation | 167.00 | 122.00 |
| Fringe Benefit Tax | 21.87 | - |
| Provision for Deferred Tax | (190.00) | (1.13) |
| Profit after Tax | 2143.73 | 344.66 |
| Add (Less) :- | | |
| Prior Period Adjustments | (39.07) | 20.16 |
| Provision of Income Tax for earlier years | 0.10 | 10.39 |
| | 2104.76 | 375.21 |
| Add: Balance brought forward from previous year | 2947.19 | 2750.49 |
| Profit available for Appropriation | 5051.95 | 3125.70 |
| Appropriations :- | | |
| Interim Dividend | - | 62.31 |
| Proposed Dividend | 249.25 | 62.31 |
| Tax on distributed profits | 34.96 | 16.29 |
| Transfer to General Reserve | 220.00 | 37.60 |
| Surplus carried to Balance Sheet | 4547.74 | 2947.19 |
| Total | 5051.95 | 3125.70 |

Operating Results

The Company has been able to capitalize on the sustained growth in the Indian Economy as a whole and Infrastructure Industry in particular. The operations of the Company show a significant improvement both in terms of top line and bottom line over the previous year. The turnover of the Company has increased by Rs. 13768.09 Lakhs during the year, showing an increase of 59.88%. The Profit after tax during the period has gone up by 5.6 times to Rs. 2104.76 Lakhs compared to Rs. 375.21 Lakhs during the preceding year.

Management Discussion and Analysis of Financial condition and Operational Performance of the Company for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges in India, is given as a separate statement in the Annual Report.

Dividend

Your Directors have recommended a dividend of 40% (last year, 10% Interim & 10% Final) on 3,11,56,400 Equity Shares of Rs. 2/- each for the financial year ended March 31, 2006. The total dividend, including

tax, amounts to Rs. 284.21 Lakhs as against Rs. 140.91 Lakhs during the previous year.

The dividend payout for the year under review has been formulated in accordance with the Company's policy of striving to pay stable dividend linked to long term performance and growth plans.

Subsidiary Companies

Your Company holds 89.80% of the Equity Capital of each of the following Companies:

- Neogal Power Company (P) Ltd.
- Awa Power Company (P) Ltd.
- Luni Power Company (P) Ltd.
- IQU Power Company (P) Ltd.

Pursuant to Section 212 of the Companies Act, 1956, the audited statement of accounts together with the report of the Board of Directors relating to the Company's subsidiaries and respective Auditor's Report thereon for the year under review are annexed.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in associates, your Directors provide the audited Consolidated Financial Statements forming part of the Annual Report and Accounts.

Auditors' Report

With regard to Paragraph 4(f) of the Auditors' Report, we draw the attention of the members to Note Nos. 4 & 5 of Schedule P, forming part of the Balance Sheet, wherein the subject matter of this note has been explained in detail.

Directors

Shri B.B. Chakraborty and Shri Kalidas Mukhopadhyay retire by rotation and being eligible, offer themselves for reappointment at the ensuing annual General Meeting.

Shri Amalendu Bhattacharjee was appointed as additional Director with effect from 08.11.2005. Mr. Bhattacharjee will hold office upto the date of ensuing annual General Meeting. The Company received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature as Director.

Auditors

The Auditors, M/s. Sunil Kr. Gupta & Company Chartered Accountants will hold office until the conclusion of the ensuing Annual General Meeting. We recommend reappointing them as Auditors. A certificate from the Auditors has been received to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Particulars of Energy Conservation, etc.

Your Company is not covered by schedule, which requires furnishing of details in Form A & B as per the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968.

Foreign Exchange Earnings and Outgo

The information is contained in Schedule P, Item Nos. 9 & 10 in Significant Accounting Policies and Notes on Accounts.

Particulars of Employees

There are no employees getting salary in excess of the limits as specified under the provisions of sub-section (2A) of Section 217 throughout or part of the financial year under review.

Quality Management System

The Company has maintained strict Quality Management System in all aspects of EPC Contracts and has ISO 9001 certificate.

Transfer of Unpaid / Unclaimed amounts to IEPF

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends which remained unpaid / unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance.

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, forms part of the Annual Report.

Certificate from the Auditors of the Company, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

Human Resources

Your Directors thankfully acknowledge the commendable efforts made by the Management and the dynamic initiatives taken by the employees of the Company for improving the operations in response to the changing environment.

Directors' Responsibility Statement

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- in preparation of the annual accounts, the applicable accounting standards have been duly followed;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate 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 had prepared the annual accounts on a 'going concern' basis.

Acknowledgement

Your Directors wish to express their grateful appreciation for assistance and cooperation received from the Financial Institutions, Banks, Government Authorities / Agencies / Organisations, Customers, Suppliers and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, staff and Workers of the Company.

The Directors also deeply acknowledge the trust and confidence you have placed in the Company.

On behalf of the Board
Sd/-
Anil Kumar Sethi
Chairman

Place : Kolkata
Date : 30th June, 2006

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC AND BUSINESS OVERVIEW

The year in the retrospect has been a year of overall progress for the Indian Economy. The country's GDP growth during the fiscal year was an impressive 8.1% over 7% during the last fiscal. The growth is quite significant when compared to the growth achieved by most of the other economies around the world. The level of growth on a higher base reflects the inherent resilience and robustness of the Indian economy.

Plan spending on Infrastructure is expected to be more than double from Rs. 3,95,900 crores in the Ninth Plan to Rs. 8,16,300 crores in the Tenth. Last year alone, the Government is estimated to have spent Rs. 1,34,900 crores on Infrastructure, which is 3.9% of GDP. India may have to spend at least 4.9% if it is to sustain an 8% GDP Growth.

The Company is operating in the field of Water supply, sanitation and solid waste management, Hydro Power and Electrification Projects and is an eminent player in this field. The Company has been able to bag many prestigious projects during the year under review. In roads, highways, hydro power and irrigation sectors, the Company has renewed its drive for becoming a steady player.

RESULTS OF OPERATIONS

Income from Operations

Income from Operations during the year ended 31st March 2006 stood at Rs. 36760.71 Lakhs as compared to Rs. 22992.62 Lakhs during the previous year. The increase of Rs. 13768.09 Lakhs (59.88%) over the previous year have been mainly due to successful implementation of various projects by the Company during the year.

Operating profit

The Operating Profit of the Company has increased by 85.60% to Rs. 2814 Lakhs during the current year as compared to Rs. 1516.20 Lakhs during the preceding year. The operating margin of the Company has increased to 8.54% compared to 6.59% during the last year. The substantial improvement in the profit has been mainly due to the increased operations of the Company and savings in the operational cost during the year.

Profit After Tax

There has been a quantum jump in Profit after Tax during the year. Profit after Tax has increased more than 5 times to Rs. 2104.76 compared to Rs. 375.21 Lakhs during the preceding year. The increase of Rs. 1729.55 Lakhs in Profit after Tax has been mainly due to the better utilization of resources. The Company has also been able to use its financial resources in the most efficient manner resulting in better profit margins during the year.

FINANCIAL CONDITION

Reserves & Surplus

The Reserves & Surplus of the Company has increased to Rs. 7495.24 Lakhs as on 31st March 2006 from Rs. 5674.69 Lakhs at the end of the previous year. The increase has been due to the excellent financial performance of the Company during the year.

Loan Funds

Secured loans as on 31st March 2006 stood at Rs. 5289.79 Lakhs as compared to Rs. 3097.57 Lakhs at the end of previous year, thus making an increase of Rs. 2192.22 Lakhs. The increase has been mainly due to the increased cash credit from Scheduled Banks and loans against hypothecation of vehicles.

Investments

Total investments as on 31st March 2006 stood at Rs. 2427.36 Lakhs as compared to Rs. 1686.57 Lakhs at the end of previous year.

Inventories

Inventories have increased by Rs. 3693.79 Lakhs to Rs. 7461.89 Lakhs as on 31st March 2006 as compared to Rs. 3768.10 Lakhs at the end of previous year signifying the substantial increase in the business operation of the Company.

The inventories are 18.87% of the revenues at the end of financial year representing an Inventory Holding Period of 69 days as compared to 15.10% of the revenues at the end of preceding year representing a Stock Holding Period of 55 days.

Sundry Debtors

Sundry Debtors as on 31st March 2006 stood at Rs. 12453.70 Lakhs (including Debtors over six months of Rs. 2349.16 Lakhs) as compared to Rs. 8070.58 Lakhs (including Debtors over six months of Rs. 1259.25 Lakhs), thereby showing an increase of Rs. 4383.12 Lakhs over the previous year in line with the increased business activities during the year. The outstandings over six months has increased by Rs. 1089.91 Lakhs during the year.

The Debtors are 31.50% of the revenues for the current year representing an Outstanding period of 115 days as compared to 32.35% of the revenues for the previous year representing an Outstanding period of 118 days.

CONTINGENT LIABILITIES

A major part of contingent liabilities of SPML is the performance and advance bank guarantees given by the bankers to the clients under the terms of contract. These are issued on the strength of counter-indemnities of SPML. Keeping in view the track record of SPML in meeting its contractual performance, the chances of contingent liabilities becoming real liabilities are remote. Due to an increased order book, the bank guarantee utilization with Banks has increased from Rs. 12287.78 Lakhs to Rs. 32484.20 Lakhs during the year.

OPPORTUNITIES AND FUTURE OUTLOOK

The Infrastructure Sector has emerged as India's single biggest change – driver over the last few years, raising the quality of life, creating employment and driving GDP growth. The Indian Construction Industry accounts for more than 5% of India's GDP and is the second largest after agriculture, employing nearly 32 million people.

India is investing more than ever before in its infrastructure – water, electrification, roads, ports, power and railways to facilitate its prospective

growth. The Government of India has planned investment of over Rs. 130 billion in the Infrastructure development over the next 5 years. These opportunities will accelerate over the coming decade as the country's policy makers target a ten percent growth over the long term. SPML is attractively positioned to accelerate its growth.

In tune with the sustained growth in the Indian Economy, the year ahead looks promising for the industry as a whole, and SPML in particular. The Company has a very strong order book of more than Rs. 2500 crores as on date. The Company bagged total Projects worth Rs. 1800 crores during the year. Further, orders worth Rs. 800 crores are awaiting final award. Major Projects secured during the year under review are:

Power Grid Corporation of India Limited (Rs. 435 Crs.), West Bengal State Electricity Board (Rs. 26 Crs.), Damodar Valley Corporation (Rs. 64 Crs.), Public Health Engg. Dept., Rajasthan (Rs. 270 Crs.), Hydel Projects in Himachal Pradesh (Rs. 110 Crs.), Neyveli Lignite Corporation (Rs. 40 Crs.), Karnataka Urban Water Supply & Sewage Board (Rs. 23 Crs.), Karnataka Neeravari Nigam Limited (Rs. 157 Crs.), Kerala Water Board (Rs. 177 Crs.), Cauvery Neeravari Nigam Limited (Rs. 17 Crs.), Govt. of A.P. (Rs. 99 Crs.), Bangalore Electricity Supply Co. Ltd. (Rs. 144 Crs.), Gulbarga Electricity Supply Co. Ltd. (Rs. 186 Crs.), Hubli Electricity Supply Co. Ltd. (Rs. 23 Crs.), Karnataka Power Transmission Co. Ltd. (Rs. 28 Crs.)

INTERNAL CONTROLS & ADEQUACY

SPML has adequate systems of internal control in place. The Company's well defined organization structure pre define authority levels and extensive system of internal control ensures proper and optimal utilization and protection of resources, accurate reporting to financial information and compliance of applicable laws and regulations.

Control system is monitored by professionally qualified team of Internal Auditors. The Internal Audit function is empowered to examine the adequacy, relevance and effectiveness of control system, compliances with policies, plans and statutory requirements. Internal Audit is also empowered to evaluate business and operating risks and ensure that management takes necessary action to mitigate the risk.

The Top Management and Audit Committee of the Board reviews the findings and recommendation of the Internal Audit team and take timely corrective action.

HUMAN RESOURCES

Employees are vital to the Company. It is our endeavour to create a favourable work environment that encourages innovation and meritocracy. Today SPML is undertaking projects with much higher scales and complexities. The key to its success lies in the highest degree of competence, dedication and sense of ownership shown by our people across all functions. However, as we explore new business areas and approach higher thresholds of growth, the need to ramp-up our human resource capabilities has increased.

The Company recognizes the challenges it faces and has been making concerted efforts to enhance its human resource competencies through initiatives at the head office as well as at the project sites. These initiatives continued in the year under review with special emphasis on training and skill-enhancement. Industrial relations at all project sites remained cordial throughout the year.

RISKS, CONCERNS AND THREATS

Presently the macro economic fundamentals of the country are very strong. In the backdrop of this, the present growth in the infrastructure sector is expected to continue in the near future. However, if there is any slowdown in the growth in the industry it may adversely affect the Company in terms of less value addition projects and shrinking profit margins.

The fiscal crisis confronting State Governments is another major cause of concern. This is restricting the ability of the Government to invest in new Projects. Even when investments are announced, projects sanctioned and work commenced, there is a question mark over the ability of State Governments to meet its payment obligations. There have been instances when projects have come to a standstill due to the inability of State Governments to meet its payment obligations. In order to dilute the impact of this risk, the industry players, including SPML, are largely looking for multilateral funded or aided projects in which case this risk is negligible. However, the market dynamics and intense competition in the field of Infrastructure call for exposure to the State Government projects as well, hence this constitute a risk for the Company.

There has been very steep rise in the cost of steel and other raw materials in the recent past. These raw materials constitute a major part of the total cost of the Infrastructure projects. This has put pressure on the profit margins. Any further rise in the cost now may add to the pressure on the profit margins. In order to mitigate the effect of any rise in cost of raw materials, SPML is looking for long term contracts with the suppliers for supply of raw materials at a fixed price. Besides, the above, SPML is also looking at substantially increasing the turnover of the Company to maintain the growth in profits. SPML is taking all steps towards prudent cost cutting to keep the momentum of growth in profits.

SHAREHOLDER VALUE

Our aspiration is to be "THE PREFERRED ORGANISATION TO BE ASSOCIATED WITH", by stakeholders at the national level. The creation of shareholder value is one of the prime objectives of the management. Towards this end all efforts are made to enhance the value through measures such as continuous cost control, improving company's position in strategic markets and strengthening its brand equity to improve the return to shareholders.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could alter the company's operations include a downturn in the infrastructure sector, significant changes in the political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest costs.

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors is pleased to present a report on the compliance of Corporate Governance requirements as per the Listing Agreement with the Stock Exchanges.

THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in and has consistently practiced sound corporate governance and ethical business conduct. The company reiterates its commitment to meet its obligations in a fair, transparent and equitable manner to all and independent monitoring & supervision in the conduct of the business operation. The Company envisages the attainment of a high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally.

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

1. Board of Directors – Composition & Functioning
2. Committees of the Board
3. Remuneration of Directors
4. Disclosures
5. Means of Communication
6. General Body Meetings
7. General Shareholder Information
8. Code of Conduct
9. CEO/CFO Certification

1. BOARD OF DIRECTORS

Composition

The business of the Company is managed by the Board of Directors. The Chairman, Vice Chairman and Managing Director along with the senior executives manage the day to day operations of the Company.

The Board's policy is to maintain optimum combination of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. The Board consists of 8 Directors, out of which 4 are Independent Directors. As on March 31, 2006, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreements of the Stock Exchanges. The Board consists of eminent persons with varied expertise. The composition and membership on other boards/committees of Directors is given here under:

No. of Directorships and Committee Memberships / Chairmanships

| Name of the Directors | Category | Other Directorship | Committee Memberships | Committee Chairmanships |
|--|--------------------------------------|--------------------|-----------------------|-------------------------|
| Mr. Anil Kumar Sethi | Director & Chairman | 8 | - | 1 |
| Mr. Subhash Chand Sethi | Vice Chairman & Managing Director | 7 | 1 | - |
| Mr. Sushil Kumar Sethi | Managing Director | 15 | 1 | - |
| Mr. Deepak Sethi | Non-Executive Director | 4 | 1 | - |
| Mr. R. L. Gaggar | Non-Executive & Independent Director | 13 | 7 | - |
| Mr. Amalendu Bhattacharjee joined w.e.f. 08.11.2005 | Non-Executive & Independent Director | 3 | 2 | - |
| Mr. Kalidas Mukhopadhyay | Non-Executive & Independent Director | - | - | 2 |
| Mr. B. B. Chakraborty | Non-Executive & Independent Director | - | 2 | - |

Meetings & Attendance

Five Board Meetings were held during the year. The Board Meetings were held on the following dates:

(i) 30.05.2005, (ii) 05.07.2005, (iii) 30.07.2005, (iv) 07.11.2005 and (v) 06.02.2006

The Annual General Meeting was held on 29th September, 2005.

Attendance of Directors at Board Meetings and at the last Annual General Meeting:

| Name of the Directors | Category | No. of Board Meetings attended | Whether attended the AGM |
|------------------------------|--------------------------------------|--------------------------------|--------------------------|
| Mr. Anil Kr. Sethi | Director & Chairman | 2 | - |
| Mr. Subhash Ch. Sethi | Vice Chairman & Managing Director | 5 | - |
| Mr. Sushil Kr. Sethi | Managing Director | 2 | Yes |
| Mr. Deepak Sethi | Non- Executive Director | 2 | - |
| Mr. R. L. Gaggar | Non-Executive & Independent Director | 5 | - |
| Mr. Kalidas Mukhopadhyay | Non-Executive & Independent Director | 4 | - |
| Mr. B. B. Chakraborty | Non-Executive & Independent Director | 5 | - |
| Mr. Amalendu Bhattacharjee * | Non-Executive & Independent Director | 1 | - |
| Mr. Samir Ghosh ** | Non-Executive & Independent Director | 2 | - |

* Appointed as Director with effect from 08.11.2005.

** Ceased to be Director due to death on 23.07.2005.

2. COMMITTEES OF THE BOARD

(i) Audit Committee

Terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreements with the Stock Exchanges that inter alia include the overview of the Company's financial reporting processes and review of the quarterly, half-yearly and annual financial statements, the adequacy of internal control systems, the financial and risk management policies and the significant findings and adequacy of internal audit function etc. in terms of the clause 49 of the Listing Agreement with the Stock Exchanges within the stipulated time.

Composition and Attendance

During the year, the Audit Committee met four times. The Audit Committee Meetings were held on (i) 05.07.2005, (ii) 30.07.2005, (iii) 07.11.2005 and (iv) 06.02.2006.

| Name of the Director | No. of Meetings attended |
|------------------------------------|--------------------------|
| Mr. Kalidas Mukhopadhyay, Chairman | 4 |
| Mr. A. Bhattacharjee * | 1 |
| Mr. B. B. Chakraborty | 4 |
| Mr. Deepak Sethi ** | - |
| Mr. Subhash Chand Sethi *** | 3 |
| Mr. Samir Ghosh **** | 1 |

* Appointed as member of the Audit Committee with effect from 08.11.2005.

** Appointed as member of the Audit Committee with effect from 06.02.2006.

*** Resigned as member of the Audit Committee with effect from 06.02.2006.

**** Ceased to be member due to death on 23.07.2005.

(ii) Share Transfer / Investors' Grievance Committee

Terms of reference of the Share Transfer / Investors' Grievance Committee are as per guidelines set out in the listing agreements with the Stock Exchanges and pursuant to Articles of Association of the Company. The Committee inter alia approves issue of duplicate certificates and registration of transfers / transmissions of Equity Shares of the Company. The Committee also looks into redressal of shareholders' / investors' complaints related to transfer of shares, non-receipt of declared dividends, etc. The Committee oversees performance of the Registrars and Transfer Agents of the Company, and recommends measures for overall improvement in the quality of investor services.

Composition and Attendance

The Committee holds its meeting every fortnight to consider all matters concerning transfer and transmission of shares. During the year ended 31.03.2006, 18 Nos. of Share Transfer Committee Meetings were held.

| Name of the Member | No. of Meetings attended |
|-------------------------|--------------------------|
| Mr. Anil Kumar Sethi | 13 |
| Mr. Subhash Chand Sethi | 16 |
| Mr. Sushil Kumar Sethi | 7 |
| Mr. R. L. Gaggar | - |

The Company attends to the investors' grievances / correspondence expeditiously, except in the cases that are constrained by disputes or legal impediments.

| | |
|--|-----|
| No. of shareholders complaints received during the year | 27 |
| No. of complaints not resolved to the satisfaction of the shareholders | Nil |
| No. of pending complaints as on 31.03.2006 | Nil |

Mr. B. N. Choudhary is the Compliance Officer of the Company.

3. REMUNERATION COMMITTEE

The Committee consists of three Non – Executive Independent Directors, namely, Mr. Kalidas Mukhopadhyay, Mr. B. B. Chakraborty and Mr. A. Bhattacharjee. The Chairman of the Committee is Mr. Kalidas Mukhopadhyay. Mr. A. Bhattacharjee was nominated with effect from 08.11.2005. The broad terms of reference of the Committee remain unchanged.

During the year, the Remuneration Committee has met once on 06.02.2006, where all the members of the Committee were present. The reappointment and remuneration of Shri Anil Kumar Sethi with effect from 01.04.2006 were approved.

Details of Remuneration paid to the Whole-time Directors for the period from 01.04.2005 to 31.03.2006:

| Name of the Director | Salary (Rs.) | Commission (Rs.) | Perquisites (Rs.) | Contribution to Provident Fund (Rs.) | Terms of Appointment |
|----------------------|--------------|------------------|-------------------|--------------------------------------|-------------------------|
| Mr. Anil Sethi | 12,00,000 | - | 3,84,000 | 1,44,000 | 5 years from 01.04.2006 |
| Mr. Subhash Sethi | 12,00,000 | - | 1,72,000 | 1,44,000 | 5 years from 01.01.2005 |
| Mr. Sushil Sethi | 12,00,000 | - | 2,15,000 | 1,44,000 | 5 years from 01.01.2005 |

NOTES :

- Above excludes liability for gratuity, personal accident, insurance premium and the liability for en-cashable leave.
- The company does not have a stock option scheme.
- There is no notice period for severance of any of the executive directors and no severance fees are payable to any of the directors.

Details of sitting fees to Non-Executive Directors for 2005-06 are as detailed :

| Director | Board Meeting (Rs.) | Committee Meeting (Rs.) | Total (Rs.) |
|------------------------------|---------------------|-------------------------|-------------|
| Mr. A. Bhattacharjee* | 5000 | 2000 | 7000 |
| Mr. R. L. Gaggar | 25000 | - | 25000 |
| Mr. Samir Ghosh ** | 10000 | 2000 | 12000 |
| Mr. B. B. Chakraborty | 25000 | 8000 | 33000 |
| Mr. Kalidas Mukhopadhyay *** | 20000 | 8000 | 28000 |

* Appointed as member of the Audit Committee and Remuneration Committee with effect from 08.11.2005.

** Ceased to be a Director & member of the Audit Committee & Remuneration Committee with effect from 23.07.2005 due to death.

*** Appointed as member of the Remuneration Committee with effect from 23.07.2005.

4. DISCLOSURES**(i) Related Party Transactions**

The Company has not entered into any transactions of a material nature with any of the related parties that may have potential conflict with the interests of the Company.

(ii) Compliances by the Company

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last year.

5. MEANS OF COMMUNICATION

(a) Quarterly results are published in Economic Times (English), all Editions as well as Nava Bharat Times (Hindi) daily in Delhi. The information of Quarterly Results is sent to stock exchanges to enable them to post it on their websites. During the year ended 31.03.2006, no presentation has been made to the investors / analysts.

(b) The Management Discussion and Analysis Report forms part of the Directors' Report.

6. GENERAL BODY MEETINGS

Location and time of the last three Annual General Meetings held:

| Year | Venue | Date | Time | Special Resolution passed |
|-----------|--|-------------------|------------|---------------------------|
| 2004-2005 | Richi Rich Banquets, E-44/14, Lal Chawk, Okhla, Phase - II, New Delhi - 110 020 | 29th September'05 | 11.00 A.M. | No |
| 2003-2004 | Richi Rich Banquets, E-44/14, Lal Chawk, Okhla, Phase - II, New Delhi - 110 020 | 30th September'04 | 11.00 A.M. | Yes |
| 2002-2003 | Bipin Chandra Paul Memorial Bhawan, A-81, Chittaranjan Park, New Delhi - 110 019 | 29th September'03 | 10.30 A.M. | Yes |

No special resolutions were required to be put through postal ballot last year, nor any proposed in the forthcoming Annual General Meeting.

The following special resolutions were passed :

(A) Annual General Meeting held on 30th September 2004

- To re-appoint Vice Chairman & Managing Director and fix his remuneration.
- To re-appoint Managing Director and fix his remuneration.
- To sub-divide the Equity Shares of Rs. 10/- each to Rs. 2/- each.
- To re-classify and divide the Authorised Capital.

(B) Annual General Meeting held on 28th September 2003

- To delist the Equity Shares from Guwahati Stock Exchange Limited, The Bangalore Stock Exchange Association Limited, Uttar Pradesh Stock Exchange Association Limited, Delhi Stock Exchange Association Limited and The Stock Exchange, Mumbai.

7. SHAREHOLDERS INFORMATION**i) 25th Annual General Meeting**

Thursday, 28th September 2006, at 9.30 A.M.
Richi Rich Banquets, E-44/14, Lal Chawk,
Okhla, Phase – II, New Delhi – 110 020

ii) Financial Calendar

Adoption of Results for the Quarter Ending :

| | |
|--------------------------|---------------------------|
| June 30, 2006 | 4th week of July, 2006 |
| September 30, 2006 | 4th week of October, 2006 |
| December 31, 2006 | 4th week of January, 2007 |
| March 31, 2007 (Audited) | 4th week of June, 2007 |
| Annual General Meeting | End of September, 2007 |

iii) Book Closure Date

22nd September to 28th September, 2006 (Both days inclusive)

iv) Dividend Payment Date

On or before 27th October 2006.

v) Listing on Stock Exchanges

The Bombay Stock Exchange Limited (BSE),
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
National Stock Exchange of India Ltd. (NSE), Exchange Plaza,
Bandra Kurla Complex, Bandra (E), Mumbai – 400051
The Calcutta Stock Exchange Association Ltd. (CSE),
7, Lyons Range, Kolkata – 700 001
The annual listing fee for the year 2006-2007 has been paid to the Stock Exchanges.
The Company has applied for delisting at Guwahati Stock Exchange,
confirmation of delisting is awaited.

vi) Stock Code

Stock Code – BSE ‘
Trading Symbol – NSE ‘SUBHASPROJ’

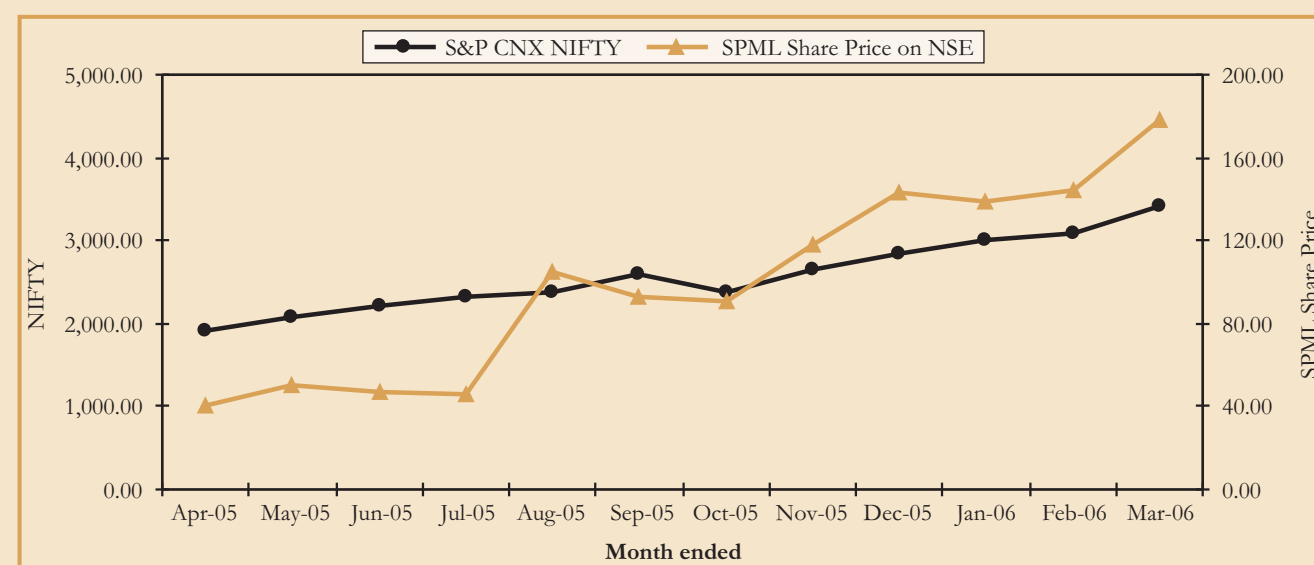
vii) Registrar & Transfer Agents

Maheshwari Datamatics Pvt Ltd.
6, Mangoe Lane, 2nd Floor, Kolkata – 700 001
Phone:+91-033-2248 2248

viii) Stock Prices data at National Stock Exchange of India Limited

| Months | High (Rs. Per share) | Low (Rs. Per Share) |
|-----------------|----------------------|---------------------|
| April, 2005 | 48.25 | 37.90 |
| May, 2005 | 57.80 | 38.40 |
| June, 2005 | 52.60 | 43.25 |
| July, 2005 | 51.50 | 45.20 |
| August, 2005 | 104.65 | 43.50 |
| September, 2005 | 121.20 | 92.35 |
| October, 2005 | 96.95 | 68.65 |
| November, 2005 | 129.40 | 91.75 |
| December, 2005 | 147.55 | 115.05 |
| January, 2006 | 156.00 | 135.25 |
| February, 2006 | 154.00 | 127.00 |
| March, 2006 | 183.00 | 143.40 |

Price Movement of SPML on NSE



ix) Share Transfer System

The Board has constituted the Share Transfer Committee and delegated the power of transfer to the Committee. The Committee holds its meeting every fortnight to consider all matters concerning transfer and transaction of shares. The Company's shares are in compulsory Demat Mode. The shares received for transfer in physical mode by the Company are transferred expeditiously and thereafter option letter is sent to the transferee(s) for dematerialization of shares. In case the transferee(s) does / do not opt for dematerialization of the shareholding the transfer is completed in the physical mode and the share certificates duly transferred are sent to the transferee(s). The Company obtains from a Company Secretary in practice, half yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing agreement with Stock exchanges and files a copy of the certificate with the Stock Exchanges.

x) Dematerialization of Shares

The Company's shares are available for trading in the depository systems of both the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL). As on 31st March, 2006 Equity Shares of the Company, forming 97.76% of total shareholding stand dematerialized. Company's ISIN No. is 'INE 937A01 015'.

xi) Liquidity of Shares

The Equity Shares of the Company have been included in the Sensex and are traded in the B2 Group at the Mumbai Stock Exchange. Its shares are also traded at the Stock Exchanges of Kolkata and National Stock Exchange.

(xii) Share Ownership Pattern as on March 31, 2006

| Category | No. of Shares held | % shareholding |
|---------------------------------|--------------------|----------------|
| Promoters | 23517460 | 75.48 |
| Mutual Funds | 1013000 | 3.25 |
| Non-resident Indians | 50668 | 0.16 |
| Banks & Financial Institutions | 2000 | 0.01 |
| Foreign Institutional Investors | - | - |
| Corporate Bodies | 3378645 | 10.85 |
| Public | 3194627 | 10.25 |
| Total : | 31156400 | 100.00 |

(xiii) Distribution of Shareholding by size as on March 31, 2006

| Shares held | | Shareholders | | Shares | |
|-------------|-------|--------------|-------------------|-----------------|-------------|
| From | To | Number | % of Shareholders | Number | % of Shares |
| 1 | 500 | 3864 | 78.23 | 849400 | 2.73 |
| 501 | 1000 | 513 | 10.39 | 448671 | 1.44 |
| 1001 | 2000 | 242 | 4.90 | 382104 | 1.23 |
| 2001 | 3000 | 74 | 1.50 | 194990 | 0.62 |
| 3001 | 4000 | 42 | 0.85 | 156304 | 0.50 |
| 4001 | 5000 | 37 | 0.75 | 174210 | 0.56 |
| 5001 | 10000 | 75 | 1.52 | 558000 | 1.79 |
| 10001 | Above | 92 | 1.86 | 28392721 | 91.13 |
| | | 4939 | 100 | 31156400 | 100 |

(xiv) Outstanding Stock Option

There are no outstanding warrants or any convertible instruments as on 31.03.2006.

(xv) Address for Correspondence

The Shareholders may address their communication / suggestion / grievances / other queries to:

The Company Secretary
Subhash Projects and Marketing Ltd.
22, Camac Street, Block 'A', 3rd Floor, Kolkata – 700 017
Phone - (033) 4009 1202 / 1234, Fax - (033) 4009 1303
E-mail - info@subhash.com Website : www.spml.co.in

8. CODE OF CONDUCT

The Board at its meeting held on June 30, 2006 has adopted the Code of Business Conduct and Ethics for Directors and Senior Management ('the Code'). This Code is a comprehensive Code applicable to all Directors, Executive as well as Non-Executive and members of Senior Management. A copy of the Code has been put on the Company's website, www.spml.co.in

The Code has been circulated to all members of the Board and Senior Management and the compliance of the same has been affirmed by them.

9. CEO / CFO CERTIFICATION

The Vice Chairman & Managing Director (CEO) and Executive Vice President – Finance (CFO) have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31st March, 2006

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members
Subhash Projects and Marketing Limited

We have examined the compliance of conditions of Corporate Governance by Subhash Projects and Marketing Ltd. for the year ended March 31, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended/pending for more than 30 days.

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 Sunil Kumar Gupta & Co.
Chartered Accountants
S. K. Gupta
Partner

Place : Kolkata
Date : 30th June, 2006

AUDITORS' REPORT TO THE MEMBERS

To
The Shareholders

1. We have audited the attached balance sheet of, M/S SUBHASH PROJECTS & MARKETING LIMITED as at 31st March 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 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. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 1 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 accounts as required by Law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) In our opinion, the Balance Sheet, the Profit & Loss Account and the 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 information and explanations given to us and written representations received from the Directors of the company, we report that none of the Directors as on 31st March, 2006 is disqualified from being appointed as Director of the Company under Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - f) Subject to Note No. 4 of Schedule 'P' regarding investments and pledge of shares made by the Company in previous years and during the year for compliance with Section 372A of the Companies Act, 1956 read with the Companies (Amendment) Act, 1999. And Note No. 5 of Schedule 'P' regarding non-provision of interest on loan outstanding to Rural Electrification Corporation Limited (REC), estimated at Rs. 37717 Thousands during the year, and Rs. 108544 Thousands relating to preceding years, which has resulted into understatement of Secured Loans/Interest Accrued & Due by Rs. 146261 Thousands and overstatement of current year Company's results by Rs. 37717 Thousands and Reserves by Rs. 108544 Thousands i.e. overall overstatement of Reserve & surplus by Rs. 146261 Thousands. The actual impact, however, can only be ascertained after settlement of disputes.
 - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes appearing in Schedule of Accounting Policies and Notes to the Accounts give the information required by the Companies Act in the manner so required and Subject to our Note (f) above it gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of 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 profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the flows for the year ended on that date.

For Sunil Kumar Gupta & Co.
Chartered Accountants
S. K. Gupta
Partner
M/No. 82486

Place : Kolkata
30th day of June, 2006

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our Report of even date)

1. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
2. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
3. Fixed assets disposed off during the year were not substantial. According to information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
4. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
5. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
6. On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
7. (i). The Company had taken loan from Suraksha Insurance Advisors (P) Ltd., company listed in the Register maintained under section 301 and the amount outstanding as on 31.3.2006 was Rs. 1.71 lacs.
(ii) The rate of interest and other terms and conditions of the unsecured loan taken from Company listed in the Register maintained under section 301 are not prejudicial to the interests of the company. There is no stipulation for the repayment of principal and the interest. There are no overdues.
8. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
9. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
10. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
11. In our opinion and according to the information and explanations given to us, the company has not accepted / invited any deposits falling within the preview of Sections 58A and 58AA of the Companies Act, 1956 during the year.
12. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
13. We have broadly reviewed the books of account in respect of wind project, where Pursuant to the Rule made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 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 not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
14. According to the records of the company, Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax; Custom Duty, Excise-Duty, Cess and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March, 2006 for a period of more than six months from the date on which the became payable.

15. According to the information and explanations given to us, there are following dues which have not been deposited on account of dispute and the same is being contested by the company at various appropriate authorities :

| Name of Statute | Nature of dues | Financial Year | Amount (Rs. Lacs) | Forum where dispute is pending |
|------------------------|-----------------------|----------------|-------------------|--|
| Chattishgarh Sales Tax | Sales Tax | 1998-99 | 0.75 | ACCT, Appellate Authority, Bilaspur |
| Chattishgarh sales Tax | EntryTax | 1998-99 | 0.08 | ACCT, Appellate Authority, Bilaspur |
| Delhi Sales Tax | Sales Tax | 1991-92 | 2.99 | Deputy Commissioer, Delhi |
| Delhi Sales Tax | Sales Tax | 1999-00 | 5.15 | Asstt. Sales Tax Officer, Delhi |
| Delhi Sales Tax | Sales Tax | 1998-99 | 8.90 | Asstt. Sales Tax Officer, Delhi |
| Delhi Sales Tax | W.C.T. | 2001-02 | 9.21 | Dy. Comm. of Appeal, Sales Tax, Delhi IV |
| Delhi Sales Tax | W.C.T. | 2002-03 | 76.21 | Addl. Comm. of Appeal, Sales Tax, Delhi IV |
| U.P. Sales Tax | W.C.T. | 2001-02 | 5.00 | Jt. Comm. Appeal, Agra |
| U.P. Sales Tax | W.C.T. | 1996-97 | 2.86 | Sales Tax Tribunal, Jhansi |
| U.P. Sales Tax | W.C.T. | 1994-95 | 14.27 | Sales Tax Tribunal, Jhansi |
| U.P. Sales Tax | W.C.T. | 1995-96 | 40.17 | Sales Tax Tribunal, Jhansi |
| U.P. Sales Tax | Sales Tax. | 1998-99 | 0.93 | Jt Comm. Appeals, Agra |
| Excise Duty | Excise Duty & Penalty | 2000-03 | 72.48 | Commissioner of Central Excise, Bangalore II |

16. The Company does not have any accumulated losses as at 31st March, 2006. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
17. Based on our audit procedures and on 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 except Refer to Note No. 5 of Schedule 'P' of Balance Sheet.
18. Based on our audit procedures and on the Information and explanations given by the management, we are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
19. In our opinion, the company is not Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clauses 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
20. 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 are not applicable to the company.
21. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
22. The term loans have been applied for the purpose for which they were raised.
23. 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 fund raised on short term basis have been used for long term investment.
24. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
25. In our opinion and according to the information and explanations given to us, the company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
26. During the period covered by our audit report, the company has not raised any money by public issues.
27. 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 Sunil Kumar Gupta & Co.
Chartered Accountants
S. K. Gupta
Partner

Place : Kolkata
30th day of June, 2006

BALANCE SHEET

| | | (Rs. in '000) | | | |
|---|----------|---------------|------------------|-----------|------------------|
| As at 31st March, | Schedule | 2006 | | 2005 | |
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS FUNDS | | | | | |
| Share Capital | 'A' | 62,313 | | 62,313 | |
| Reserves & Surplus | 'B' | 749,524 | 811,837 | 567,469 | 629,782 |
| LOAN FUNDS | | | | | |
| Secured Loans | 'C' | 528,979 | | 309,757 | |
| Unsecured Loans | 'D' | 720,341 | 1,249,320 | 205,847 | 515,604 |
| DEFERRED TAX - NET | | | 110,113 | | 129,113 |
| TOTAL | | | 2,171,270 | | 1,274,499 |
| APPLICATION OF FUNDS | | | | | |
| FIXED ASSETS | | | | | |
| a) Gross Block | 'E' | 785,641 | | 740,569 | |
| b) Less : Depreciation | | 376,461 | | 342,618 | |
| c) Net Block | | 409,180 | | 397,951 | |
| d) Capital Work in Progress | | 97,199 | 506,379 | - | 397,951 |
| INVESTMENTS | 'F' | | 242,736 | | 168,657 |
| CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| Inventories | | 746,189 | | 376,810 | |
| Sundry Debtors | | 1,245,370 | | 807,058 | |
| Cash & Bank Balances | | 422,701 | | 245,841 | |
| Loans and Advances | | 428,927 | | 206,397 | |
| | | 2,843,187 | | 1,636,106 | |
| Less : CURRENT LIABILITIES & PROVISIONS | 'H' | | | | |
| Current Liabilities | | 1,365,492 | | 904,515 | |
| Provisions | | 55,540 | | 24,847 | |
| | | 1,421,032 | | 929,357 | |
| NET CURRENT ASSETS | | | 1,422,155 | | 706,749 |
| MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | 'I' | | - | | 1,142 |
| TOTAL | | | 2,171,270 | | 1,274,499 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | | | | | |
| | 'P' | | | | |

Schedules 'A' to 'I' & Schedule 'P' referred to above form an Integral Part of the Balance Sheet.
As per our attached report of even date

For Sunil Kumar Gupta & Co.
Chartered Accountants

S. K. Gupta
Partner
M/No. 82486
Kolkata
The 30th day of June, 2006

B. N. Choudhary
Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi
Chairman

Subhash C. Sethi
Vice Chairman &
Managing Director

Sushil K. Sethi
Managing Director

For and on behalf of the Board

PROFIT AND LOSS ACCOUNT

| | | (Rs. in '000) | | | |
|---|----------|------------------|--------|------------------|--------|
| For the year ended 31st march, | Schedule | 2006 | | 2005 | |
| INCOME | | | | | |
| Sales and Income From Operations | 'J' | 3,953,723 | | 2,494,978 | |
| Other Income | 'K' | 22,349 | | 17,132 | |
| TOTAL | | 3,976,072 | | 2,512,110 | |
| EXPENDITURE | | | | | |
| Purchase & Direct Expenses | 'L' | 3,356,542 | | 2,168,309 | |
| Personnel Expenses | 'M' | 100,414 | | 64,959 | |
| Administration & Selling Expenses | 'N' | 163,377 | | 105,920 | |
| Finance Expenses | 'O' | 70,612 | | 47,125 | |
| Depreciation | | 70,867 | | 67,535 | |
| TOTAL | | 3,761,812 | | 2,453,848 | |
| Profit before Taxation | | 214,260 | | 58,262 | |
| Less : Provision for Taxation | | 16,700 | | 12,200 | |
| Less : Fringe Benefit Tax | | 2,187 | | - | |
| Less : Deferred Tax | | (19,000) | (113) | 11,596 | 23,796 |
| Profit after Taxation | | 214,373 | | 34,466 | |
| Add/(Less) : Prior Period Adjustments | | (3,907) | | | 2,016 |
| Add/(Less) : Provision of Income Tax of Earlier Years | | 10 | | | 1,039 |
| | | 210,476 | | | 37,521 |
| Add : Profit Brought Forward From Previous Year | | 294,719 | | 275,049 | |
| Profit Available For Appropriation | | 505,195 | | 312,570 | |
| APPROPRIATIONS | | | | | |
| Transfer to General Reserve | | 22,000 | | 3,760 | |
| Dividend Tax | | 3,496 | | 1,629 | |
| Interim Dividend | | - | | 6,231 | |
| Proposed Dividend | | 24,925 | 50,421 | 6,231 | 17,851 |
| Balance carried to Balance Sheet | | 454,774 | | 294,719 | |
| TOTAL | | 505,195 | | 312,570 | |
| Weighted average no. of Equity Shares (Face Value Rs. 2/- each) | | 31,156,400 | | 31,156,400 | |
| Basic & Diluted Earning Per Share (in Rs.) | | 6.76 | | 1.20 | |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | | | | | |
| | 'P' | | | | |

Schedules 'J' to 'O' and Schedule 'P' referred to above form an Integral Part of the Profit & Loss Account.
As per our attached report of even date

For Sunil Kumar Gupta & Co.
Chartered Accountants

S. K. Gupta
Partner
M/No. 82486
Kolkata
The 30th day of June, 2006

B. N. Choudhary
Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi
Chairman

Subhash C. Sethi
Vice Chairman &
Managing Director

Sushil K. Sethi
Managing Director

For and on behalf of the Board

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | (Rs. in '000) | |
|---|----------------|----------------|
| | 2006 | 2005 |
| SCHEDULE 'A' | | |
| SHARE CAPITAL | | |
| AUTHORIZED | | |
| 20,00,00,000 Equity Shares of Rs. 2/- each | 400,000 | 400,000 |
| 10,00,000 Preference Shares of Rs.100/- each | 100,000 | 100,000 |
| | 500,000 | 500,000 |
| ISSUED, SUBSCRIBED & PAID-UP | | |
| 31156400 (31156400) Equity Shares of Rs.2/-each fully paid-up | 62,313 | 62,313 |
| | 62,313 | 62,313 |
| SCHEDULE 'B' | | |
| RESERVES & SURPLUS | | |
| a) SECURITIES PREMIUM ACCOUNT | | |
| As per last Account | 47,283 | 47,283 |
| | 47,283 | 47,283 |
| b) CAPITAL RESERVE | | |
| As per last account | 221,707 | 221,707 |
| | 221,707 | 221,707 |
| c) GENERAL RESERVE | | |
| As per last account | 3,760 | - |
| Transfer from Profit & Loss Account | 22,000 | 25,760 |
| | 25,760 | 3,760 |
| d) SURPLUS AS PER PROFIT & LOSS ACCOUNT | 454,774 | 294,719 |
| TOTAL | 749,524 | 567,469 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | (Rs. in '000) | |
|---|---------------|---------|
| | 2006 | 2005 |
| SCHEDULE 'C' | | |
| SECURED LOANS | | |
| A) TERM LOANS | | |
| (i) From Rural Electrification Corporation Limited (Secured by the exclusive first charge by way of hypothecation of 11 Nos. Wind Electric Generating Sets of 4.51 MW capacity with accessories and personal guarantees of Promoter Directors) | 89,968 | 89,968 |
| (ii) Auto Loans (Due within one year Rs. 8209 (3190) Thousands) (Secured against hypothecation of Vehicles) | 14,888 | 13,055 |
| (iii) SREI Infrastructure Finance Ltd. (Instalment due within one year Rs. 1670 Thousands) (Secured against hypothecation of Excavator) | 4,584 | - |
| | 109,440 | 103,023 |
| B) OTHER LOANS | | |
| From Scheduled Banks on Cash Credit Account (Secured by hypothecation of raw materials, Goods in Process, Finished Goods and Book Debts of the Company & Personal guarantees of Promoter Directors and also secured by hypothecation of Plant & Machinery, Office Equipment, Vehicles and Computers, exclusive of Wind Electric Generation Sets hypothecated to Rural Electrification Corporation Limited) | 419,539 | 206,734 |
| | 419,539 | 206,734 |
| Total Secured Loans | 528,979 | 309,757 |
| SCHEDULE 'D' | | |
| UNSECURED LOANS | | |
| From Bodies Corporate | 33,440 | 40,294 |
| From Clients as Mobilisation Advance (Against Bank Guarantee to Clients) | 681,861 | 153,308 |
| From Canara Bank (Due within one year Rs. 5040 (5880) Thousands) (Personal guarantees of Promoter Directors) | 5,040 | 12,245 |
| | 720,341 | 205,847 |

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'E'
FIXED ASSETS

| Depreciation | Gross block | | | Depreciation | | | Net block | | | |
|--|------------------|---------------|-----------------|------------------------|-------------------|-----------------|-----------------|------------------------|------------------|------------------|
| | As on 01.04.2005 | Additions | Sale/Adjustment | Total As on 31.03.2006 | During 01.04.2005 | During the year | Adjustments | Total As on 31.03.2006 | As on 31.03.2006 | As on 31.03.2005 |
| LAND | 14,816 | 4,994 | - | 19,810 | - | - | - | - | 19,810 | 14,816 |
| BUILDING | 26,894 | - | - | 26,894 | 3,980 | 438 | - | 4,418 | 22,476 | 22,914 |
| OFFICE EQUIPMENT | 16,656 | 2,951 | - | 19,607 | 6,040 | 925 | - | 6,965 | 12,642 | 10,616 |
| FURNITURE & FIXTURE | 13,526 | 1,728 | - | 15,254 | 7,283 | 1,599 | - | 8,882 | 6,372 | 6,243 |
| VEHICLES | 42,250 | 15,091 | (2,413) | 54,928 | 18,049 | 4,768 | (1,660) | 21,157 | 33,771 | 24,201 |
| PLANT & MACHINERY | 476,690 | 4,830 | - | 481,520 | 225,170 | 25,057 | - | 250,227 | 231,293 | 251,520 |
| COMPUTER | 23,903 | 4,355 | - | 28,258 | 18,648 | 1,756 | - | 20,404 | 7,854 | 5,255 |
| TEMPORARY SITE SHED | 119,607 | 48,900 | (35,364) | 133,143 | 57,455 | 36,217 | (35,364) | 58,308 | 74,835 | 62,152 |
| SHUTTERING MATERIAL | 6,227 | - | - | 6,227 | 5,993 | 107 | - | 6,100 | 127 | 234 |
| TOTAL | 740,569 | 82,849 | (37,777) | 785,641 | 342,618 | 70,867 | (37,024) | 376,461 | 409,180 | 397,951 |
| PREVIOUS YEAR | 712,933 | 60,597 | (32,961) | 740,569 | 307,371 | 67,535 | (32,288) | 342,618 | 397,951 | - |
| CAPITAL WORK IN PROGRESS (Including Advances) | - | - | - | - | - | - | - | - | 97,199 | - |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | Quantity | | (Rs. in '000) | |
|--|--------------|-----------------|----------------|----------------|
| | Current year | (Previous Year) | 2006 | 2005 |
| SCHEDULE 'F' | | | | |
| INVESTMENTS (At Cost) | | | | |
| LONG TERM INVESTMENTS | | | | |
| A) QUOTED | | | | |
| a) EQUITY SHARES (FULLY PAID-UP) | | | | |
| Arihant Leasing & Holdings Ltd. ** | 24,000 | (24000) | 75 | 75 |
| Indian Acrylics Ltd. ** | 100 | (100) | 1 | 1 |
| Petrochem Industries Ltd. ** | 500 | (500) | 14 | 14 |
| Best & Crompton Engineering Ltd. ** | 200 | (200) | 10 | 10 |
| SPML India Ltd. * | 10,000 | (10,000) | 150 | 150 |
| Malanpur Steels Ltd. ** | 15 | (15) | 1 | 1 |
| Hindustan Engineering & Indus. Ltd. ** | 4 | (4) | - | - |
| | | | 251 | 251 |
| b) DEBENTURES (FULLY PAID-UP) | | | | |
| Escorts Tractors Ltd. ** | 25 | (25) | 1 | 1 |
| Hindustan Development Corporation Ltd. ** | 110 | (110) | 6 | 6 |
| | | | 7 | 7 |
| AGGREGATE AMOUNT OF QUOTED INVESTMENTS | | | 258 | 258 |
| B) UNQUOTED | | | | |
| a) INVESTMENT IN UNITS | | | | |
| UTI - 64 ** | 5,920 | (5920) | 92 | 92 |
| (Repurchase Price Rs. 92 thousands) | | | 92 | 92 |
| b) EQUITY SHARES (FULLY PAID-UP) - SUBSIDIARIES | | | | |
| Neogal Power Co. (P) Ltd. * | 44,900 | (44900) | 449 | 449 |
| Awa Power Co. (P) Ltd. * | 44,900 | (44900) | 449 | 449 |
| Luni Power Co. (P) Ltd. * | 44,900 | (44900) | 449 | 449 |
| IQU Power Co. (P) Ltd. * | 44,900 | (44900) | 449 | 449 |
| | | | 1,796 | 1,796 |
| c) EQUITY SHARES (FULLY PAID-UP) - OTHERS | | | | |
| Subhash Kabini Power Corporation Ltd. * | 20,096,300 | (13586300) | 200,963 | 135,863 |
| Subhash Pipes Ltd. * | 473,430 | (473430) | 8,037 | 8,037 |
| Tones Valley Power Co. (P) Ltd. * | 9,993 | (9993) | 100 | 100 |
| Abhinandan Enterprises Pvt. Ltd. * | 500 | (500) | 50 | 50 |
| Rishab Commercial Pvt. Ltd. * | 500 | (500) | 50 | 50 |
| Rupin Tones Power (P) Ltd. * | 9,993 | (9993) | 100 | 100 |
| Uttarkashi Tones Hydro Power (P) Ltd. * | 9,993 | (9993) | 100 | 100 |
| Binwa Power Co. (P) Ltd. * | 9,920 | (9920) | 99 | 99 |
| Delhi Waste Management Pvt. Ltd. * | 745,000 | (24500) | 7,450 | 245 |
| Bharat Hydro Power Corporation Ltd. * | 3294150 | (3294150) | 21,185 | 21,185 |
| Pondichary Port Ltd. * | 24,800 | - | 248 | - |
| Subhash System Private Ltd. * | 450 | (450) | 45 | 45 |
| | | | 238,427 | 165,874 |
| d) GOVERNMENT SECURITIES | | | | |
| NSC | | | 330 | 634 |
| Indira Vikas Patra | | | 3 | 3 |
| | | | 333 | 637 |
| e) INVESTMENT IN JOINT VENTURE | | | | |
| Subhash Simplex JV * | | | 1,830 | - |
| | | | 1,830 | - |
| AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS | | | 242,478 | 168,399 |
| TOTAL INVESTMENTS | | | 242,736 | 168,657 |
| * Denotes Trade Investments | | | | |
| ** Denotes other Investments | | | | |
| Market value of Quoted Investment Rs. 244 (231) thousands. | | | | |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | (Rs. in '000) | |
|--|------------------|------------------|
| | 2006 | 2005 |
| SCHEDULE 'G' | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| a) INVENTORIES | | |
| (As valued and certified by the management) | | |
| Material at sites -At Cost or Market Value which ever is less | 222,108 | 130,381 |
| Work-in-Progress- At Cost | 524,081 | 246,429 |
| | 746,189 | 376,810 |
| b) SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| Debts outstanding for a period exceeding six months | 234,916 | 125,925 |
| Others | 1,010,454 | 681,133 |
| | 1,245,370 | 807,058 |
| c) CASH & BANK BALANCES | | |
| Cash in hand | 7,306 | 1,452 |
| Balance with Scheduled Banks on : | | |
| Current Accounts | 132,979 | 58,097 |
| Fixed Deposit Accounts (Receipts lying with banks as security against Guarantees issued by them & with Clients as security deposits) | 282,416 | 186,292 |
| | 422,701 | 245,841 |
| d) LOANS AND ADVANCES | | |
| (Unsecured, Considered good) | | |
| Loans | 2,005 | 850 |
| Advance Recoverable in Cash or in Kind or for which Value is to be received | 221,967 | 199,032 |
| Advance to Subsidiaries | - | 1415 |
| Share Application Money with Subsidiaries | 67,500 | - |
| Share Application Money | 137,455 | 5,100 |
| | 428,927 | 206,397 |
| TOTAL | 2,843,187 | 1,636,106 |

SCHEDULE 'H'

CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

| | | |
|---|------------------|----------------|
| Sundry Creditors [Including L. C. of Rs.621,165 (Rs.423742) Thousands | 807,468 | 678,548 |
| Advance from Customers | 502,080 | 139,242 |
| Other Liabilities | 55,944 | 86,725 |
| | 1,365,492 | 904,515 |

PROVISIONS

| | | |
|---------------------------------------|---------------|---------------|
| Provision for Taxation (Current year) | 16,700 | 12,200 |
| Provision for Fringe Benefit Tax | 2,187 | - |
| Proposed Dividend | 24,925 | 6,231 |
| Tax on Proposed Dividend | 3,495 | 814 |
| Provision for Gratuity | 5,890 | 4,469 |
| Provision for Earned Leave | 2,343 | 1,128 |
| | 55,540 | 24,842 |

TOTAL

| | | |
|--|------------------|----------------|
| | 1,421,032 | 929,357 |
|--|------------------|----------------|

SCHEDULE 'I'

MISCELLANEOUS EXPENDITURE

| | | |
|---|----------|--------------|
| (To the extent not written off or adjusted) | | |
| Public & Right Issue Expenses | 1,142 | 2,677 |
| (Less) : W/off during the year | 1,142 | (1,535) |
| TOTAL | - | 1,142 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| For the year ended 31st March, | (Rs. in '000) | |
|---|------------------|------------------|
| | 2006 | 2005 |
| SCHEDULE 'J' | | |
| SALES & INCOME FROM OPERATIONS | | |
| Sales - Construction Contracts | 3,638,034 | 2,258,151 |
| Sales - Power Generation | 38,037 | 41,111 |
| | 3,676,071 | 2,299,262 |
| Add : Work in Progress, at close | 524,081 | 246,429 |
| | 4,200,152 | 2,545,691 |
| Less : Work in Progress at commencement | 246,429 | 50,713 |
| | 3,953,723 | 2,494,978 |
| | 3,953,723 | 2,494,978 |

SCHEDULE 'K'

OTHER INCOME

| | | |
|---|---------------|---------------|
| Dividend Received on Long Term Investments* | 3 | 28 |
| Profit on Sale of Long Term Investments | - | 3,465 |
| Profit on Sale of Fixed Assets | 607 | 6,386 |
| Misc. Receipts | 21,739 | 7,253 |
| | 22,349 | 17,132 |

SCHEDULE 'L'

PURCHASES & DIRECT EXPENSES

| | | |
|---|------------------|------------------|
| Opening Stock of Goods | 130,381 | 112,464 |
| Consumption of Raw Material & Direct Expenses on Projects | 3,317,654 | 2,072,470 |
| | 3,448,035 | 2,184,934 |
| Less : Closing Stock of Goods | 222,108 | 130,381 |
| | 3,225,927 | 2,054,553 |
| Material Consumed | 775 | 942 |
| Drawing & Designing | 38,215 | 13,229 |
| Freight & Delivery | 29,232 | 52,567 |
| Hire Charges | 62,393 | 47,018 |
| Miscellaneous Expenses | - | - |
| TOTAL | 3,356,542 | 2,168,309 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| For the year ended 31st March, | (Rs. in '000) | |
|--------------------------------|----------------|---------------|
| | 2006 | 2005 |
| SCHEDULE 'M' | | |
| PERSONNEL EXPENSES | | |
| Salaries & Allowances | 83,107 | 47,847 |
| Directors' Salaries | 3,600 | 3,600 |
| Cont. to PF & Others | 5,182 | 3,314 |
| Staff Welfare Expenses | 3,492 | 2,446 |
| Miscellaneous Expenses | 5,033 | 7,752 |
| | 100,414 | 64,959 |

SCHEDULE 'N'**ADMINISTRATION & SELLING EXPENSES**

| | | |
|--|----------------|----------------|
| Rent, Rates & Taxes | 30,207 | 11,816 |
| Insurance Premium | 20,060 | 9,344 |
| Vehicle Running and Maintenance | 18,384 | 10,694 |
| Travelling (Including Rs. 3239 (3267) thousands for Directors) | 18,819 | 14,592 |
| Professional Charges | 21,412 | 5,446 |
| Telephone Expenses | 6,009 | 4,712 |
| Advertisement expenses | 4,318 | 1,724 |
| Business Promotion | 6,081 | 9,855 |
| Entertainment | 1,304 | 762 |
| Charity & Donation | 3,245 | 2,527 |
| Audit Fees | 590 | 270 |
| Auditors' Out of Pocket | 163 | 64 |
| Bad Debts W/off | 4,326 | 882 |
| Tender Expenses | 4,634 | 11,447 |
| Misc. Expenses | 23,825 | 21,785 |
| | 163,377 | 105,920 |

SCHEDULE 'O'**FINANCE EXPENSES**

| | | |
|---------------------------|---------------|---------------|
| Interest Paid | 47,406 | 33,784 |
| Less : Interest Received | 14,884 | 7,951 |
| Bank Charges | 5,451 | 4,898 |
| Bank Guarantee Commission | 32,639 | 16,394 |
| | 70,612 | 47,125 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 'P'**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

Schedule of Significant Accounting Policies and Notes attached to and forming part of the Company's Statement of Accounts as at 31st March, 2006 and for the year ended on that date.

1. SIGNIFICANT ACCOUNTING POLICIES**(i) Basis of Accounting**

- (a) Accounts are prepared under Historical Cost Conventions and on the Accounting Principle of Going Concern Concept.
- (b) All expenses and revenues are on accrual basis.

(ii) Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated Depreciation provided on Straight Line Method at the rates and manner prescribed in Schedule XIV to the Companies Act, 1956. Cost of temporary site sheds have been written off over the original contract and / or extended period. Shuttering materials have been written off over the estimated life of 3 years. Assets costing Rs.7500/- or less are depreciated in full except residual value in the year of acquisition. In respect of addition of fixed assets, the depreciation is being charged on pro-rata basis from the date of asset put to use.

(iii) Investments

- (a) Quoted and unquoted Long Term investments are considered at cost unless there is a permanent decline in value thereof, in which case suitable provision for such shortfall in the values of investments are made in the accounts.
- (b) Quoted Short term investments are valued at lower of cost or net realizable value.
- (c) Gross interest from investments has been accounted for on accrual basis. Gross Dividend income has been accounted for in the year of receipt.
- (d) The profit/loss on the disposal of investment has been accounted for in the year of sale of that investment.

(iv) Inventories

Inventories are valued as under :

- (a) Inventories are stated at cost or net realizable value whichever is lower.
- (b) Work-in-progress on construction contracts reflects value of material input and expenses incurred on contracts.

(v) Sales

- (a) Sales and Contract receipts have been accounted for on the basis of terms and conditions of agreements entered into with various customers. Retention money of sales, which in the opinion of the management are recoverable on the contract are recognized at the end of accounting year.
- (b) In Accounting for construction contracts, Revenue receipts are accounted for on the basis of billing provided in the agreement with customers vis-à-vis on the basis of percentage completion method.

(vi) Claims

- (a) Expenditure incurred in respect of additional costs/delays are accounted in the year in which they are incurred.
- (b) Claims made in respect thereof are accounted as income in the year of receipt of receipt of Arbitration Award or Acceptance by client or evidence of such acceptance or insurance claim received.

(vii) Gratuity, Encashment of Leaves and other retirement benefits

The liabilities in respect of gratuity and encashment of leaves are charged to revenue based on actuarial valuation made at the end of year by certified valuer. The company contributes to the Employee's Provident funds maintained under the Employees Provident Fund scheme of the Central Government.

(viii) Accounting for Joint Venture Contracts

- (i) In work sharing Joint Venture Agreements, the revenues, expenses, assets and liabilities are accounted for in the Company's books to the extent work is executed by the Company.
- (ii) In profit sharing Joint Venture entities, the services rendered to such Joint Ventures are accounted for as income on accrual basis. The Company's share of Profit/Loss is accounted for as and when determined by those Joint Venture entities.
- (iii) In Jointly controlled entities, the share of income and expenses is proportionately consolidated by way of line addition.

(ix) Capital Issue Expenses

Expenditure relating to public issue is being written off over a period of ten years.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(x) Foreign Exchange Transactions

Transactions in Foreign Currencies are recorded at the exchange rates prevailing on the date of the transactions and the realised exchanged gains / losses are recognized in the Profit and Loss Account.

(xi) Taxation

(a) Current Taxes

The provision for income tax is based on the elements of Income and Expenditure as reported in the financial statements and computed in accordance with the provisions of the Indian Income Tax Act, 1961. The company has claimed deduction under section 80IA of the Income Tax Act, 1961 in respect of profit and gains derived from contracts executed for development of infrastructure facilities.

(b) Deferred Tax

Deferred taxation is provided on the liability method. The tax effect of all timing difference which occur where items are allowed for income tax purposes in a period different from that when they are recognized in financial statements is included in the provisions for deferred taxation at effective rates of taxation.

Deferred tax assets are recognized for all deductible timing differences and carried forward unused tax losses, to the extent that it is probable that taxable profit will be available to set off against such deductible timing differences and carried forward unused tax losses can be utilized. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

2. Contingent liabilities not provided for in respect of :

- (a) Counter Guarantees given to Bankers for Guarantees given by them to various parties on behalf of the Company stood at Rs. 3248420 Thousands (Previous year Rs. 1228778 Thousands).
- (b) Counter Guarantees to bankers for letter of credit (Sundry Creditors) issued for Rs. 679055 Thousands (Previous year Rs. 417746 Thousands).
- (c) Disputed Tax demands for which the company has preferred Appeals is Rs. 14944 Thousands (Previous year Rs. 24105 Thousands).
- (d) Disputed liability of Principal & Interest on Term Loan from Rural Electrification Corporation Ltd. estimated at Rs. 146261 Thousands (Previous year Rs. 108544 Thousands).

3. Sundry Debtors / Advances / Deposits and Sundry Creditors are subject to confirmation / reconciliation.

4. In view of the legal opinion obtained by the Company from a senior counsel, no prior approval is necessary under sub-section 2 of section 372A of the Companies Act, 1956 read with the Companies (Amendment) Act, 1999 from Rural Electrification Corporation Limited (REC) for investments made during the year amounting to Rs. 72553 Thousands (previous year Rs.3370 Thousands) and Share Application Money amounting to Rs. 199855 Thousands (previous year Rs.1900 Thousands) and further pledge of shares amounting to Rs. 132738 thousands (13273800 Equity Shares of Subhash Kabini Power Corporation Limited) by the Company with IDBI for providing guarantee for loan made to SKPCL. Moreover, the company has filed a suit with the Hon'ble Barasat Court demanding compensation from REC on account of their default, which is pending for disposal.

5. The company has not provided the interest estimated at Rs. 37717 Thousands (including -penal interest) during the year and Rs. 108544 Thousands relating to preceding years, due to Rural Electrification Corporation Limited on Term Loan, on the basis of the Loan Agreement, pending settlement of dispute for above claim of interest, which is lying before the Ld. Court at Barasat, West Bengal and the Debt Recovery Tribunal, Delhi.

6. Payment of Auditors :

| | (Rs. in '000) | |
|----------------------------------|---------------|------------|
| For the year ended 31st March, | 2006 | 2005 |
| a) Audit Fees | | |
| Statutory and Tax Audit. | 500 | 270 |
| Audit u/s 80-IA(2003-04) | 90 | - |
| Others : | | |
| Income Tax Matters | 50 | 50 |
| Company Law Matters | 50 | 10 |
| Certification Work | 25 | 10 |
| Any Other Matter | 347 | 55 |
| | 1062 | 395 |
| b) Out of Pocket Expenses | 163 | 64 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

7. Directors' Remuneration :

| | (Rs. in '000) | |
|--------------------------------|---------------|-------------|
| For the year ended 31st March, | 2006 | 2005 |
| Salaries. | 3600 | 3600 |
| Perquisites | 771 | 618 |
| Contribution to Provident Fund | 432 | 432 |
| | 4803 | 4650 |

The Managerial Remuneration referred above though approved by Shareholders in General Meeting, is subject to the approval pending with Central Govt. as on the date of signing of Balance Sheet in view of default in repayment of Rural Electrification Corporation Loan.

Computation of net profit in accordance with section 198 read with section 349 of the Companies Act, 1956

| | (Rs. in '000) | |
|--|---------------|---------------|
| For the year ended 31st March, | 2006 | 2005 |
| Profit Before Taxation | 214260 | 58262 |
| Add : Depreciation as per accounts | 70867 | 67535 |
| Directors' Remuneration | 4803 | 4650 |
| | 289930 | 130447 |
| Less : Depreciation as per section 350 | 83550 | 78547 |
| Net Profit for section 198 of the Companies Act,1956 | 206380 | 51900 |

8 According to the Company, Construction activity is a service activity and therefore, the same is covered under para 3(ii)(c) of Part II of Schedule VI to the Companies Act, 1956. Keeping in view the nature of operations of the Company, the quantitative details in respect of engineering, procurement and construction business are not furnished.

In respect of manufacturing business :

Sales and Income from operations in Profit and Loss account includes Rs. 38037 Thousands (Previous year Rs. 41111 Thousands) from sale of generation of power from Wind Farms.

| | In Units | (Rs. in '000) | In Units | (Rs. in '000) |
|--------------------------------|----------|---------------|----------|---------------|
| For the year ended 31st March, | 2006 | 2006 | 2005 | 2005 |
| Power generated | 14132221 | N.A. | 15368580 | N.A. |
| Power Sold | 14132221 | 38037 | 15368580 | 41111 |

In respect of Construction Steel Material-Trading :

Sales and Income from operations in Profit and Loss Account includes Rs. 612715 Thousands from sale of Construction Steel Material.

| | 2006 | | 2005 | |
|--------------------------------|---------------------|------------------------|---------------------|------------------------|
| For the year ended 31st March, | (In Tonnes) Qty. | (Rs. in '000) Value | (In Tonnes) Qty. | (Rs. in '000) Value |
| Power generated | 21772.46 | 606103. | - | - |
| Power Sold | 21772.46 | 612715 | - | - |

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

9. Expenditure in Foreign Currency

| | (Rs. in '000) | |
|---------------------------------------|---------------|------|
| For the year ended 31st March, | 2006 | 2005 |
| Purchase for Contracts | 3504 | 760 |
| Travelling and others | 4165 | 3502 |
| 10. Income in Foreign Currency | NIL | NIL |

11. Disclosure Requirement as per Accounting Standard 7 (Revised) issued by the Institute of Chartered Accountants of India for "Construction Contracts" the amount considered in the financial statements up to the reporting date are as under :

| | (Rs. in '000) | |
|--|---------------|---------|
| For the year ended 31st March, | 2006 | 2005 |
| Contract Revenue Recognised as Revenue | 3915687 | 2453867 |
| Contract Cost Incurred add Recognised Profit, Less Recognised Loss | 4007413 | 2471785 |
| Advance Received | 1183941 | 292550 |
| Gross amount due from customers for Contract Works | 369379 | 213633 |
| Gross amount due to customers for Contract Works | Nil | Nil |

12. In compliance with the Accounting Standard 22 (AS-22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the Company has adjusted the Deferred Tax arising during the year. Accordingly Deferred Tax Credit Reversal (Net) arising out of the Timing Differences during the year ended 31st March, 2006 aggregating to Rs. 19000 Thousands has been recognised in the Profit & Loss Account.

The Deferred Tax Asset and Liabilities comprise tax effect of following timing differences:

| | (Rs. in '000) | |
|--------------------------------|---------------|---------------|
| For the year ended 31st March, | 2006 | 2005 |
| DEFERRED TAX LIABILITY | | |
| Depreciation | 106034 | 117228 |
| Retention Money | 11227 | 12205 |
| | 117261 | 129433 |
| DEFERRED TAX ASSET | | |
| Others | 7148 | 320 |
| | 110113 | 129113 |

13. Related Parties Disclosures :

Information given in accordance with the requirements of Accounting Standard 18 (AS-18) on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

A. Related parties where control exists : (I) Subsidiary Companies : (a) IQU Power Company Private Limited (b) AWA Power Company Private Limited (c) Luni Power Company Private Limited (d) Neogal Power Company Private Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Other Related Parties with whom the Company had transactions, etc.

(I) Other Enterprises :

(a) Subhash Kabini Power Corporation Limited (Associate Company) (b) International Construction Limited (c) Bharat Hydro Power Corporation Limited (d) SPM Engineers Limited (e) Subhash Yurim Textiles Limited (f) 20th Century Engineering Limited (g) Arihant Leasing & Holding Limited (h) Subhash Pipes Limited (i) Sonal Agencies Private Limited (j) Abhinandan Enterprises Private Limited (k) Rishab Commercials Private Limited (l) Zoom Industrial Services Limited (m) Binwa Power Company Private Limited (n) Rupin Tons Power Private Limited (o) Uttarkashi Tons Hydro Power Private Limited (p) Tons Valley Power Company Private Limited (q) SPML India Limited (r) Subhash System Private Limited (s) Delhi Waste Management Pvt. Ltd. (Associate Company) (t) Pondicherry Port Limited (Associate Company) (u) Suraksha Insurance Services Private Limited

(II) Key Management Personnel :

(a) Mr. Anil K. Sethi (b) Mr. Subhash C. Sethi (c) Mr. Sushil K. Sethi (d) Mr. R.L. Gaggar
(e) Mr. Kalidas Mukhopadhyay (f) Mr. B.B. Chakraborty (g) Mr. A. Bhattacharjee (h) Mr. Deepak Sethi

(III) Joint Ventures :

(a) Degremont- Subhash JV (b) M & P - Subhash JV (c) Subhash-KB-Emco JV (d) Subhash - Maytas JV (e) Subhash Simplex JV

(IV) Relatives of Key Management Personnel :

(a) Mr. P.C. Sethi (b) Smt. Maina Devi Sethi (c) Smt. Preeti Devi Sethi (d) Smt. Suman Devi Sethi
(e) Smt. Sandhya Rani Sethi (f) Mr. Rishabh Sethi (g) Mr. Harshvardhan Sethi (h) P.C. Sethi & Sons (HUF)
(i) Anil Kumar Sethi & Sons (HUF) (j) Subhash C. Sethi & Sons (HUF) (k) Sushil Kumar Sethi & Sons (HUF)

Note : Related Party Relationship is as identified and informed by the Management of the Company.

2. Transactions carried out with related parties referred in 1 above, in ordinary course of business.

(Rs. in lakhs)

| NATURE OF TRANSACTIONS | RELATED PARTIES | | | | |
|----------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------|
| | Referred in A(I) above | Referred in B(I) above | Referred in B(II) above | Referred in B(III) above | Referred in B(IV) above |
| Purchases | | | | | |
| Goods & Materials | | 386 (905) | | | |
| Sales | | | | | |
| Goods & Materials | | 736 (75) | | 173 (73) | |
| Expenses | | | | | |
| Rent & Other services | | 16 (17) | 56 (4) | | 90 (49) |
| Remuneration | | | 48 (47) | | |
| Interest Paid | | 19 (3) | | | |
| Directors Fees | | | 2 (1) | | |
| Income | | | | | |
| Rent & Other services | | 4 (7) | | | |
| Sales of Investments | | - (50) | | | |
| Investments made | | 73 (31) | | 18 (-) | |
| Finance | | | | | |
| Adv./Loan Received | 1795 (-) | 690 (50) | | | |
| Loan / Deposit Given | 675 (-) | 2048 (189) | | | |
| Investment outstanding | 18 (18) | 2387 (1661) | | 18 (-) | |
| Balance Outstanding | | | | | |
| Payable | 1795 (-) | 348 (919) | 5 (11) | - (43) | 7 (14) |
| Receivable | 675 (14) | 1932 (253) | | 80 (62) | |

Note : Bracket () reflects Previous year figures

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

14. Segment Reporting

(a) PRIMARY SEGMENT INFORMATION (BUSINESS SEGMENTS)

| | | | | (Rs. in '000) |
|--|--------------|--------|--------------|---------------|
| For the year ended 31st March, | | | | 2006 |
| PARTICULARS | Construction | Wind | Consolidated | |
| Segment Revenue | | | | |
| - External Sales | 3915687 | 38037 | 3953724 | |
| - Inter Segment Sales | -- | -- | -- | |
| Total Revenue | 3915687 | 38037 | 3953724 | |
| Segment Result | | | | |
| - Unallocated Corporate Expenses net of unallocated income | | | | |
| Profit before interest and taxation | 247054 | (271) | 246783 | |
| - Interest paid – Net | | | (32522) | |
| - Provision for Taxation – Net | | | 113 | |
| Profit after Taxation | | | 214374 | |
| Other Information | | | | |
| 1. Segment Assets | 3127766 | 221800 | 3349566 | |
| - Unallocated Corporate Assets | -- | -- | 242736 | |
| Total Assets | -- | -- | 3592302 | |
| 2. Segment Liabilities | 2535555 | 101357 | 2636912 | |
| - Unallocated Corporate Liabilities | -- | -- | 143553 | |
| Total Liabilities | -- | -- | 2780465 | |
| 3. Capital Expenditure during the year. | 180048 | | 180048 | |
| 4. Depreciation | 47250 | 23617 | 70867 | |
| 5. Non Cash expenditure other than depreciation. | -- | -- | 1142 | |

b) SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENTS)

The Company operates in India and no separate reportable geographical segment has been identified.

15. Financial Reporting of interest in Joint Ventures

Information given in accordance with the requirements of Accounting Standard (AS) 27 on "Financial Reporting of interest in Joint Venture" issued by the Institute of Chartered Accountants of India.

Simplex-Subhash JV

Share of Profit (included in Turnover) Rs. 173 Lakhs

Investment in JV Rs. 18 Lakhs

The company has entered in other joint ventures but all these are not significant joint ventures and does not require disclosure, as per point 53 of Accounting Standard (AS) 27.

16. The outstanding dues to SSI Units have not been ascertained in the absence of any reply received from suppliers to the Company for segregation of SSI Units as informed by the management of the Company.

17. Prior Period Adjustments : Purchase Reversal & Income consists of Rs. 5850 Thousands [Previous year Rs. 2510 thousands] and Sales Reversal & Expenses consists of Rs. 1963 Thousands [Previous Year Rs. 494 Thousands] resulting into Net Income (expenses) of Rs. (3907) thousands [previous year Rs. 2016 thousands.]

18. The Company has segregated advances from customers (Current Liabilities) and Mobilisation advance from customers (Unsecured Loan) on the basis of the estimated execution period of the contract.

19. Previous year figures have been re-grouped / re-arranged wherever considered necessary to facilitate comparison.

Signatories to the Schedules "A" to "P"
As per our attached report of even dateFor Sunil Kumar Gupta & Co.
Chartered AccountantsS. K. Gupta
Partner
M/No. 82486B. N. Choudhary
Executive Vice President
(Finance) & Company SecretaryAnil K. Sethi
ChairmanSubhash C. Sethi
Vice Chairman &
Managing DirectorSushil K. Sethi
Managing DirectorKolkata
The 30th day of June, 2006

For and on behalf of the Board

CASH FLOW STATEMENT

| | | (Rs. in | |
|--|-----------|------------------|-----------------|
| For the year ended 31st March, | | 2006 | 2005 |
| A : Cash Flow From Operating Activities | | | |
| Net Profit Before Tax and Extraordinary Items | | 214,260 | 58,262 |
| Miscellaneous Expenditure Written Off | 1,142 | | 1,535 |
| Depreciation | 70,867 | | 67,535 |
| Loss (profit) on Sale of Investment | - | | (3,465) |
| Dividend Income | (3) | | (28) |
| Interest (Net) | 32,522 | | 25,833 |
| Loss (profit) on Sale of Fixed Assets | (607) | 103,921 | (6,386) |
| Operating Profit Before Working Capital Changes | | 318,181 | 143,287 |
| Adjusted for | | | |
| Trade & Other Recoverables | (659,677) | | (421,733) |
| Inventories | (369,379) | | (213,633) |
| Trade Payable | 456,567 | (572,489) | 439,745 |
| Cash Generated From Operations | | (254,308) | (52,334) |
| Taxes Paid | | (12,200) | (5,000) |
| | | (266,508) | (57,334) |
| Net Prior Period (Expenses) Income | | (3,907) | 2,016 |
| Net Cash Flow From Operating Activities (A) | | (270,415) | (55,318) |
| B : Cash Flow From Investing Activities | | | |
| Purchase of Fixed Assets & Capital WIP | (180,048) | | (60,598) |
| Sale of Fixed Assets | 1,360 | | 7,060 |
| Purchase of Investments | (74,383) | | (3,371) |
| Sale of Investments | 304 | | 5,906 |
| Movement in Loans | (1,155) | | 3,622 |
| Dividend Income | 3 | (253,919) | 28 |
| Net Cash Used in Investing Activities (B) | | (253,919) | (47,353) |
| C : Net Cash from Financing Activities | | | |
| Interim Dividend & Dividend Tax Paid | - | | (7,046) |
| Proceeds from Long Term & Other Borrowings(net) | 733,716 | | 204,614 |
| Interest | (32,522) | 701,194 | (25,833) |
| Net Cash Proceeds in Financing Activities (C) | | 701,194 | 171,736 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 176,860 | 69,064 |
| Opening Balance of Cash and Cash Equivalents | | 245,841 | 176,776 |
| Closing Balance of Cash and Cash Equivalents | | 422,701 | 245,841 |

For Sunil Kumar Gupta & Co.
Chartered AccountantsS. K. Gupta
Partner
M/No. 82486
Kolkata
The 30th day of June, 2006B. N. Choudhary
Executive Vice President
(Finance) & Company SecretaryAnil K. Sethi
ChairmanSubhash C. Sethi
Vice Chairman &
Managing DirectorSushil K. Sethi
Managing Director

For and on behalf of the Board

CONSOLIDATED FINANCIAL STATEMENT

AUDITORS' REPORT

To
The Board of Directors of
Subhash Projects & Marketing Limited

We have examined the attached Consolidated Balance Sheet of SUBHASH PROJECTS AND MARKETING LIMITED and its Subsidiaries, Associates and joint ventures as at 31st March, 2006, the Consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Subhash Projects & Marketing Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. 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.

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total net assets of Rs. 201315 thousands as at March 31, 2006. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" read with Accounting Standard 23 "Accounting for investments in Associate in Consolidated Financial Statements" and Accounting Standard (AS) 27, "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Subhash Projects & Marketing Limited and its Subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Subhash Projects & Marketing Limited and its Subsidiaries, we are of opinion that:

- The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Subhash Projects & Marketing Limited, its Subsidiaries, Associates and Joint Ventures as at 31st March, 2006; and
- The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Subhash Projects & Marketing Limited, its Subsidiaries, Associates and Joint Ventures for the year ended on that date.
- The consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Subhash Projects & Marketing Limited, its Subsidiaries, Associates and Joint Ventures for the year ended on that date.

For Sunil Kumar Gupta & Co.
Chartered Accountants

S. K. Gupta
Partner
M/No. 82486

Place : Kolkata
The 30th June, 2006

CONSOLIDATED BALANCE SHEET

(Rs. in '000)

| As at 31st March, | Schedule | 2006 | 2005 |
|--|----------|------------------|------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS FUNDS | | | |
| Share Capital | 'A' | 62,313 | 62,313 |
| Share Application Money | 'AI' | 131,816 | - |
| Reserves & Surplus | 'B' | 780,943 | 554,469 |
| | | 975,072 | 616,782 |
| MINORITY INTEREST | | | |
| | | 204 | 204 |
| LOAN FUNDS | | | |
| Secured Loans | 'C' | 528,979 | 309,757 |
| Unsecured Loans | 'D' | 600,646 | 205,847 |
| | | 1,129,625 | 515,604 |
| DEFERRED TAX - NET | | | |
| | | 110,113 | 129,113 |
| TOTAL | | | |
| | | 2,215,014 | 1,261,703 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 'E' | 785,641 | 740,569 |
| Less : Depreciation | | 376,461 | 342,618 |
| Net Block | | 409,180 | 397,951 |
| Capital Work in Progress | | 116,413 | 3433 |
| | | 525,593 | 401,384 |
| INVESTMENTS | | | |
| | 'F' | 272,359 | 153,862 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Inventories | 'G' | 746,189 | 376,810 |
| Sundry Debtors | | 1,245,370 | 807,058 |
| Cash & Bank Balances | | 422,822 | 245,841 |
| Loans and Advances | | 364,048 | 204,982 |
| | | 2,778,429 | 1,634,691 |
| Less : CURRENT LIABILITIES & PROVISIONS | | | |
| Current Liabilities | 'H' | 1,305,898 | 904,583 |
| Provisions | | 55,540 | 24,842 |
| | | 1,361,438 | 929,425 |
| NET CURRENT ASSETS | | | |
| | | 1,416,991 | 705,266 |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | 'I' | 71 | 1,191 |
| TOTAL | | | |
| | | 2,215,014 | 1,261,703 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | | | |
| | 'P' | | |

Schedules 'A' to 'I' & Schedule 'P' referred to above form an Integral Part of the Consolidated Balance Sheet.
As per our attached report of even date

For Sunil Kumar Gupta & Co.
Chartered Accountants

For and on behalf of the Board

S. K. Gupta
Partner
M/No. 82486

B. N. Choudhary
Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi
Chairman

Subhash C. Sethi
Vice Chairman &
Managing Director

Sushil K. Sethi
Managing Director

Kolkata
The 30th day of June, 2006

CONSOLIDATED PROFIT & LOSS ACCOUNT

| For the year ended 31st March, | Schedule | (Rs. in '000) | |
|---|----------|------------------|------------------|
| | | 2006 | 2005 |
| INCOME | | | |
| Sales and Income From Operations | 'J' | 3,953,723 | 2,494,978 |
| Other Income | 'K' | 22,349 | 17,132 |
| TOTAL | | 3,976,072 | 2,512,110 |
| EXPENDITURE | | | |
| Purchase & Direct Expenses | 'L' | 3,356,542 | 2,168,309 |
| Personnel Expenses | 'M' | 100,414 | 64,959 |
| Administration & Selling Expenses | 'N' | 163,377 | 105,920 |
| Finance Expenses | 'O' | 70,612 | 47,125 |
| Depreciation | | 70,867 | 67,535 |
| TOTAL | | 3,761,812 | 2,453,848 |
| Profit before Taxation | | 214,260 | 58,262 |
| Less : | | | |
| Provision for Taxation | | 16,700 | 12,200 |
| Fringe Benefit Tax | | 2,187 | - |
| Deferred Tax | | (19,000) | 11,596 |
| Profit after Taxation | | 214,373 | 34,466 |
| Add/(Less): Prior Period Adjustments | | (3,907) | 2,016 |
| Add/(Less): Provision of Income Tax of Earlier Years | | 10 | 1,039 |
| | | 210,476 | 37,521 |
| Add: Profit Brought Forward From Previous Year | | 294,719 | 275,049 |
| Profit Available For Appropriation | | 505,195 | 312,570 |
| APPROPRIATIONS | | | |
| Transfer to General Reserve | | 22,000 | 3,760 |
| Dividend Tax | | 3,496 | 1,629 |
| Interim Dividend | | - | 6,231 |
| Proposed Dividend | | 24,925 | 6,231 |
| Balance carried to Balance Sheet | | 454,774 | 294,719 |
| TOTAL | | 505,195 | 312,570 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | 'P' | | |

Schedules 'J' to 'O' and Schedule 'P' referred to above form an Integral Part of the Consolidated Profit & Loss Account. As per our attached report of even date

For Sunil Kumar Gupta & Co.
Chartered Accountants

For and on behalf of the Board

S. K. Gupta
Partner
M/No. 82486

B. N. Choudhary
Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi
Chairman

Subhash C. Sethi
Vice Chairman &
Managing Director

Sushil K. Sethi
Managing Director

Kolkata
The 30th day of June, 2006

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| As at 31st March, | (Rs. in '000) | |
|---|------------------|------------------|
| | 2006 | 2005 |
| SCHEDULE 'A' | (Rs.'000) | (Rs.'000) |
| SHARE CAPITAL | | |
| AUTHORIZED | | |
| 20,00,00,000(20,00,00,000) Equity Shares of Rs. 2/- (Rs.2)each | 400,000 | 400,000 |
| 10,00,000 Preference Shares of Rs.100/- each | 100,000 | 100,000 |
| TOTAL | 500,000 | 500,000 |
| ISSUED, SUBSCRIBED & PAID-UP | | |
| 31156400 (31156400) Equity Shares of Rs.2/- (2/-)each fully paid-up | 62,313 | 62,313 |
| TOTAL | 62,313 | 62,313 |
| SCHEDULE 'A I' | | |
| Share Application Money | 131,816 | - |
| | 131,816 | - |
| SCHEDULE 'B' | | |
| RESERVES & SURPLUS | | |
| a) SECURITIES PREMIUM ACCOUNT | | |
| As per last Account | 47,283 | 47,283 |
| | 47,283 | 47,283 |
| b) CAPITAL RESERVE | | |
| As per last account | 221,707 | 221,707 |
| Add/ (Less) : Share in the Profit/(Loss) of Associate Co | 31,419 | 253,126 |
| | 253,126 | 208,707 |
| c) GENERAL RESERVE | | |
| As per last account | 3,760 | - |
| Transfer from Profit & Loss Account | 22,000 | 25,760 |
| | 25,760 | 3,760 |
| d) SURPLUS AS PER PROFIT & LOSS ACCOUNT | | |
| | 454,774 | 294,719 |
| TOTAL | 780,943 | 554,469 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| As at 31st March, | 2006 | 2005 |
|--|----------------|----------------|
| (Rs. in '000) | | |
| SCHEDULE 'C' | | |
| SECURED LOANS | | |
| A) TERM LOANS | | |
| (i) From Rural Electrification Corporation Limited (Secured by the exclusive first charge by way of hypothecation of 11 Nos. Wind Electric Generating Sets of 4.51 MW capacity with accessories and personal guarantees of Promoter Directors) | 89,968 | 89,968 |
| (ii) Auto Loans [Installments due Within one year Rs.8209 (3190) Thousands] (Secured against hypothecation of Vehicles) | 14,888 | 13,055 |
| (iii) SREI Infrastructure Finance Ltd. (Installments Due within one year Rs.1670 Thousand) (Secured against hypothecation of Excavator) | 4,584 | - |
| SUB TOTAL | 109,440 | 103,023 |
| B) OTHER LOANS | | |
| From Scheduled Banks on Cash Credit Account (Secured by hypothecation of raw materials, Goods in Process, Finished Goods and Book Debts of the Company & Personal guarantees of Promoter Directors and also secured by hypothecation of Plant & Machinery, Office Equipment, Furnitures & Fixtures and Computers, except Wind Electric Generation Sets hypothecated to Rural Electrification Corporation Limited) | 419,539 | 206,734 |
| TOTAL | 528,979 | 309,757 |
| SCHEDULE 'D' | | |
| UNSECURED LOANS | | |
| From Bodies Corporate | 33,440 | 40,294 |
| From Clients as Mobilisation Advance (Against Bank Gurantee to Clients) | 562,166 | 153,308 |
| From Canara Bank [Due within one year Rs. 5040(5880) Thousands] (Personal guarantees of Promoter Directors) | 5,040 | 12,245 |
| TOTAL | 600,646 | 205,847 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 'E'
FIXED ASSETS

| Depreciation | Gross block | | | Depreciation | | | Net block | | |
|--|------------------|---------------|------------------|------------------------|-----------------|-----------------|------------------------|------------------|------------------|
| | As on 01.04.2005 | Additions | Sale/ Adjustment | Total as on 31.03.2006 | During The year | Adjustment | Total as on 31.03.2006 | As on 31.03.2006 | As on 31.03.2005 |
| LAND | 14,816 | 4,994 | - | 19,810 | - | - | - | 19,810 | 14,816 |
| BUILDING | 26,894 | - | - | 26,894 | 438 | - | 4,418 | 22,476 | 22,914 |
| OFFICE EQUIPMENT | 16,656 | 2,951 | - | 19,607 | 925 | - | 6,965 | 12,642 | 10,616 |
| FURNITURE & FIXTURE | 13,526 | 1,728 | - | 15,254 | 1,599 | - | 8,882 | 6,372 | 6,243 |
| VEHICLES | 42,250 | 15,091 | (2,413) | 54,928 | 4,768 | (1,660) | 21,157 | 33,771 | 24,201 |
| PLANT & MACHINERY | 476,690 | 4,830 | - | 481,520 | 25,057 | - | 250,227 | 231,293 | 251,520 |
| COMPUTER | 23,903 | 4,355 | - | 28,258 | 1,756 | - | 20,404 | 7,854 | 5,255 |
| TEMPORARY SITE SHED | 119,607 | 48,900 | (35,364) | 133,143 | 36,217 | (35,364) | 58,308 | 74,835 | 62,152 |
| SHUTTERING MATERIAL | 6,227 | - | - | 6,227 | 107 | - | 6,100 | 127 | 234 |
| TOTAL | 740,569 | 82,849 | (37,777) | 785,641 | 70,867 | (37,024) | 376,461 | 409,180 | 397,951 |
| PREVIOUS YEAR | 712,933 | 60,597 | (32,961) | 740,569 | 67,535 | (32,288) | 342,618 | 397,951 | 343,333 |
| CAPITAL WORK IN PROGRESS (Including Project Development Expenses & Capital advances) | - | - | - | - | - | - | - | 116,413 | 3,433 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| As at 31st March, | Quantity | | (Rs. in '000) | |
|---|--------------|-----------------|----------------|----------------|
| | Current year | (Previous Year) | 2006 | 2005 |
| SCHEDULE 'F' | | | | |
| INVESTMENTS (At cost, unless otherwise stated) | | | | |
| A) QUOTED (LONG TERM) | | | | |
| a) EQUITY SHARES (FULLY PAID-UP) | | | | |
| Arihant Leasing & Holdings Ltd. ** | 24,000 | (24,000) | 75 | 75 |
| Indian Acrylics Ltd. ** | 100 | (100) | 1 | 1 |
| Petrochem Industries Ltd. ** | 500 | (500) | 14 | 14 |
| Best & Crompton Engineering Ltd. ** | 200 | (200) | 10 | 10 |
| SPML India Ltd. * | 10,000 | (10,000) | 150 | 150 |
| Malanpur Steels Ltd. ** | 15 | (15) | 1 | 1 |
| Hindustan Engineering & Indus. Ltd. ** | 4 | (4) | - | - |
| | | | 251 | 251 |
| b) DEBENTURES (FULLY PAID-UP) | | | | |
| Escorts Tractors Ltd. ** | 25 | (25) | 1 | 1 |
| Hindustan Development Corporation Ltd. ** | 110 | (110) | 6 | 6 |
| | | | 7 | 7 |
| AGGREGATE AMOUNT OF QUOTED INVESTMENTS | | | 258 | 258 |
| B) UNQUOTED | | | | |
| a) INVESTMENT IN UNITS | | | | |
| UTI - 64 ** | 5,920 | (5,920) | 92 | 92 |
| (Repurchase Price Rs. 92 thousands) | | | | |
| | | | 92 | 92 |
| b) EQUITY SHARES (FULLY PAID-UP) - OTHERS | | | | |
| Subhash Kabini Power Corporation Ltd. * | 20,096,300 | (13,586,300) | 200,963 | 135,863 |
| Add/(Less): Share in the Profit/(Loss) of Associate Company | - | - | 31,419 | (13,000) |
| Subhash Pipes Ltd. * | 473,430 | (473,430) | 8,037 | 8,037 |
| Tones Valley Power Co. (P) Ltd. * | 9,993 | (9,993) | 100 | 100 |
| Abhinandan Enterprises Pvt. Ltd. * | 500 | (500) | 50 | 50 |
| Rishab Commercial Pvt. Ltd. * | 500 | (500) | 50 | 50 |
| Rupin Tones Power (P) Ltd. * | 9,993 | (9,993) | 100 | 100 |
| Uttarkashi Tones Hydro Power (P) Ltd. * | 9,993 | (9,993) | 100 | 100 |
| Binwa Power Co. (P) Ltd. * | 9,920 | (9,920) | 99 | 100 |
| Delhi Waste Maangement Pvt. Ltd. * | 745,000 | (24,500) | 7,450 | 245 |
| Bharat Hydro Power Corporation Ltd. * | 3,294,150 | (3,294,150) | 21,185 | 21,185 |
| Pondichary Port Ltd. * | 24,800 | (-) | 248 | - |
| Subhash System Private Ltd. * | 450 | (450) | 45 | 45 |
| | | | 269,846 | 152,875 |
| c) GOVERNMENT SECURITIES | | | | |
| NSC | | | 330 | 634 |
| Indira Vikas Patra | | | 3 | 3 |
| | | | 333 | 637 |
| e) INVESTMENT IN JOINT VENTURE | | | | |
| Subhash Simplex JV * | | | 1,830 | - |
| | | | 1,830 | - |
| AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS | | | 272,101 | 153,604 |
| TOTAL | | | 272,359 | 153,862 |

* Denotes Trade Investments
** Denotes other Investments

Market value of Quoted Investment Rs. 244 (231) thousands.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| As at 31st March, | (Rs. in '000) | |
|--|------------------|------------------|
| | 2006 | 2005 |
| SCHEDULE 'G' | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| a) INVENTORIES | | |
| (As valued and certified by the management) | | |
| Material at sites -At Cost | 222,108 | 130,381 |
| Work-in-Progress- At Cost | 524,081 | 246,429 |
| | 746,189 | 376,810 |
| b) SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| Debts outstanding for a period exceeding six months | 234,916 | 125,925 |
| Others | 1,010,454 | 681,133 |
| | 1,245,370 | 807,058 |
| c) CASH & BANK BALANCES | | |
| Cash in Hand | 7,306 | 1,452 |
| Balance with Scheduled Banks on : | | |
| Current Accounts | 133,100 | 58,097 |
| Fixed Deposit Accounts (Receipts lying with banks as security against Guarantees issued by them & with clients as security deposits) | 282,416 | 186,292 |
| | 422,822 | 245,841 |
| d) LOANS AND ADVANCES | | |
| (Unsecured, Considered good) | | |
| Loans | 2,005 | 850 |
| Advance Recoverable in Cash or in Kind or for which Value is to be received | 224,588 | 199,032 |
| Share Application Money | 137,455 | 5,100 |
| | 364,048 | 204,982 |
| TOTAL | 2,778,429 | 1,634,691 |
| SCHEDULE 'H' | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors [Including L. C. of Rs.621165 (Rs.423742)thousands] | 807,467 | 678,548 |
| Advance from Customers | 442,233 | 139,242 |
| Other Liabilities | 56,198 | 86,793 |
| | 1,305,898 | 904,583 |
| PROVISIONS | | |
| Provision for Taxation (Current year) | 16,700 | 12,200 |
| Provision for Fringe Benefit Tax | 2,187 | - |
| Proposed Dividend | 24,925 | 6,231 |
| Tax on Prposed Dividend | 3,495 | 814 |
| Provision for Gratuity | 5,890 | 4,469 |
| Provision for Earned Leave | 2,343 | 1,128 |
| | 55,540 | 24,842 |
| TOTAL | 1,361,438 | 929,425 |
| SCHEDULE 'I' | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Public & Right Issue Expenses | 1,142 | 2,678 |
| Preliminary & Project Development Expenses | 71 | 49 |
| | 1,213 | 2,727 |
| Less : written off during the year | (1,142) | (1,536) |
| TOTAL | 71 | 1,191 |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | (Rs. in '000) | |
|---|------------------|------------------|
| For the year ended 31st March, | 2006 | 2005 |
| SCHEDULE 'J' | | |
| SALES & INCOME FROM OPERATIONS | | |
| Sales - Construction Contracts | 3,638,034 | 2,258,151 |
| Sales - Power Generation | 38,037 | 41,111 |
| | 3,676,071 | 2,299,262 |
| Add: Work in Progress, at close | 524,081 | 246,429 |
| | 4,200,152 | 2,545,691 |
| Less: Work in Progress at commencement | 246,429 | 50,713 |
| | 3,953,723 | 2,494,978 |
| TOTAL | 3,953,723 | 2,494,978 |

SCHEDULE 'K'**OTHER INCOME**

| | 2006 | 2005 |
|--|---------------|---------------|
| Dividend Received on Long Term Investments * | 3 | 28 |
| Profit on Sale of Long Term Investments | - | 9,851 |
| Profit on Sale of Fixed Assets | 607 | - |
| Misc. Receipts | 21,739 | 7,253 |
| TOTAL | 22,349 | 17,132 |

SCHEDULE 'L'**PURCHASES & DIRECT EXPENSES**

| | 2006 | 2005 |
|---|------------------|------------------|
| Opening Stock of Goods | 130,381 | 112,464 |
| Consumption of Raw Material & Direct Expenses on Projects | 3,317,654 | 2,072,470 |
| | 3,448,035 | 2,184,934 |
| Less : Closing Stock of Goods | 222,108 | 130,381 |
| Material Consumed | 3,225,927 | 2,054,553 |
| Drawing & Designing | 775 | 942 |
| Freight & Delivery | 38,215 | 13,229 |
| Hire Charges | 29,232 | 52,567 |
| Miscellaneous Expenses | 62,393 | 47,018 |
| TOTAL | 3,356,542 | 2,168,309 |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | (Rs. in '000) | |
|--------------------------------|----------------|---------------|
| For the year ended 31st March, | 2006 | 2005 |
| SCHEDULE 'M' | | |
| PERSONNEL EXPENSES | | |
| Salaries & Allowances | 83,107 | 47,847 |
| Directors' Salaries | 3,600 | 3,600 |
| Cont. to PF & Others | 5,182 | 3,314 |
| Staff Welfare Expenses | 3,492 | 2,446 |
| Miscellaneous Expenses | 5,033 | 7,752 |
| | 100,414 | 64,959 |

SCHEDULE 'N'**ADMINISTRATION & SELLING EXPENSES**

| | 2006 | 2005 |
|---|----------------|----------------|
| Rent, Rates & Taxes | 30,207 | 11,816 |
| Insurance Premium | 20,060 | 9,344 |
| Vehicle Running and Maintenance | 18,384 | 10,694 |
| Travelling (Including Rs.3239 (3267) thousands for Directors) | 18,819 | 14,592 |
| Professional Charges | 21,412 | 5,446 |
| Telephone Expenses | 6,009 | 4,712 |
| Advertisement expenses | 4,318 | 1,724 |
| Business Promotion | 6,081 | 9,855 |
| Entertainment | 1,304 | 762 |
| Charity & Donation | 3,245 | 2,527 |
| Audit Fees | 590 | 270 |
| Auditors' Out of Pocket | 163 | 64 |
| Bad Debts W/off | 4,326 | 882 |
| Tender Expenses | 4,634 | 11,447 |
| Misc. Expenses | 23,825 | 21,785 |
| TOTAL | 163,377 | 105,920 |

SCHEDULE 'O'**FINANCE EXPENSES**

| | 2006 | 2005 |
|---------------------------|---------------|---------------|
| Interest Paid | 47,406 | 33,784 |
| Less : Interest Received | 14,884 | 7,951 |
| Bank Charges | 5,451 | 4,897 |
| Bank Guarantee Commission | 32,639 | 16,395 |
| | 70,612 | 47,125 |

*Denotes Gross Income

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 'P'

NOTES TO ACCOUNTS

Schedule of Accounting Policies and Notes attached to and forming part of the Consolidated Statement of Accounts as at 31st March, 2006 and for the year ended on that date.

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Consolidation

- Subhash Projects and Marketing Limited has prepared the consolidated financial statements to provide the financial information of its activities along with its subsidiaries as a single entity. They are collectively referred as 'Group' herein.
- The Consolidated Financial statements are prepared in accordance with Accounting Standard (AS) 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- Principles of consolidation
The Consolidated financial statements present the accounts of the company and all of its subsidiaries which are more than 50% owned and controlled by the company. All significant transactions and balances between the entities included in the consolidated financial statements have been eliminated.
- Investments in Associates companies are accounted under the equity method as per the Accounting Standard 23 "Accounting for Investments in Associate in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The Company's share of pre-acquisition losses/gains is reflected as goodwill/capital reserve in the carrying value of the investments
- Companies included in consolidation:

Subsidiary Companies

| Name of the Company | Proportion of ownership |
|--------------------------------------|-------------------------|
| AWA Power Company Private Limited | 89.80% |
| IQU Power Company Private Limited | 89.80% |
| LUNI Power Company Private Limited | 89.80% |
| NEOGAL Power Company Private Limited | 89.80% |

(ii) Basis of Accounting and preparation of Financial Statements

- Accounts are prepared under Historical Cost Conventions and on the Accounting Principle of Going Concern Concept.
- All expenses and revenues are on accrual basis.

(iii) Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated Depreciation provided on Straight Line Method at the rates and manner prescribed in Schedule XIV to the Companies Act, 1956. Cost of temporary site sheds have been written off over the original contract and / or extended period. Shuttering materials have been written off over the estimated life of 3 years. Assets costing Rs.7500/- or less are depreciated in full except residual value in the year of acquisition. In respect of addition of fixed assets, the depreciation is being charged on pro-rata basis from the date of asset put to use.

(iv) Investments

- Quoted and unquoted Long Term investments are considered at cost unless there is a permanent decline in value thereof, in which case suitable provision for such shortfall in the values are made in the accounts.
- Quoted short term investments are valued at lower of cost or net realizable value.
- Gross interest from investments has been accounted for on accrual basis. Gross Dividend income has been accounted for in the year of receipt.
- The profit/loss on the disposal of investment has been accounted for in the year of sale of that investment.

(v) Inventories

Inventories are valued as under :

- Inventories are stated at cost or net realizable value whichever is lower.
- Work-in-progress on construction contracts reflects value of material input and expenses incurred on contracts.

(vi) Sales

- Sales and Contract receipts have been accounted for on the basis of terms and conditions of agreements entered into with various

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

customers. Retention money of sales, which in the opinion of the management are recoverable on the contract are recognized at the end of accounting year.

- Claims made in respect of additional work are accounted as income in the year of receipt of Arbitration Award or Acceptance by client or evidence of such acceptance.

(vii) Claims

- Expenditure incurred in respect of additional costs/delays are accounted in the year in which they are incurred.
- Claims made in respect thereof are accounted as income in the year of receipt of Arbitration Award or Acceptance by client or evidence of such acceptance or insurance claim received.

(viii) Gratuity, Encashment of Leaves and other retirement benefits

The liabilities in respect of gratuity and encashment of leaves are charged to revenue based on actuarial valuation made at the end of year by Certified Valuer. The company contributes to the Employee's Provident funds maintained under the Employees Provident Fund scheme of the Central Government.

(ix) Accounting for Joint Venture Contracts

- In work sharing Joint Venture Agreements, the revenues, expenses, assets and liabilities are accounted for in the Company's Books to the extent work is executed by the Company.
- In profit sharing Joint Venture entities, the services rendered to such Joint Ventures are accounted for as income on accrual basis. The Company's share of Profit/Loss is accounted for as and when determined by those Joint Venture entities.
- In jointly controlled entities, the share of income and expenses is proportionately consolidated by way of line addition.

(x) Foreign Exchange Transactions

Transactions in Foreign Currencies are recorded at the exchange rates prevailing on the date of the transactions and the realised exchanged gains / losses are recognized in the Profit and Loss account.

(xi) Taxation

- Current Taxes
The provision for income tax is based on the elements of Income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Indian Income Tax, 1961.
- Deferred Tax
Deferred taxation is provided on the liability method. The tax effect of all timing difference which occur where items are allowed for income tax purposes in a period different from that when they are recognized in financial statements is included in the provisions for deferred taxation at effective rates of taxation.
Deferred tax assets are recognized for all deductible timing differences and carried forward unused tax losses, to the extent that it is probable that taxable profit will be available to off set against such deductible timing differences and carried forward unused tax losses can be utilized. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

2. Contingent liabilities not provided for in respect of:

- Counter Guarantees given to Bankers for Guarantees given by them to various parties on behalf of the Company stood at Rs. 3248420 Thousands (Previous year Rs. 1228778 Thousands).
- Counter Guarantees to bankers for letter of credit (Sundry Creditors) issued for Rs. 679055 Thousands (Previous year Rs. 417746 Thousands).
- Disputed Tax demands for which the company has preferred Appeals is Rs. 14944 Thousands (Previous year Rs. 24105 Thousands).
- Disputed liability of Principal & Interest on Term Loan from REC estimated at Rs. 146261 Thousands (Previous year Rs. 108544 Thousands).

3. Sundry Debtors / Advances / Deposits and Creditors are subject to confirmation / reconciliation.

4. In view of the legal opinion obtained by the Company from a senior counsel, no prior approval is necessary under sub-section 2 of section 372A of the Companies Act, 1956 read with the Companies (Amendment) Act, 1999 from Rural Electrification Corporation Limited (REC) for investments made during the year amounting to Rs. 72553 Thousands (previous year Rs.3370 Thousands) and Share Application Money amounting to Rs. 132355 Thousands (previous year Rs.1900 Thousands) and further pledge of shares amounting to Rs. 132738 Thousands (13273800 Equity Shares of Subhash Kabini Power Corporation Limited) by the Company with IDBI for providing guarantee for loan made to Subhash Kabini Power Corporation Limited. Moreover, the company has filed a suit with the Hon'ble Barasat Court demanding compensation from REC on account of their default, which is pending for disposal.

5. The Group has not provided the interest estimated at Rs. 37717 Thousands (including penal interest) during the year and Rs. 108544 Thousands relating to preceding years, due to Rural Electrification Corporation Limited on Term Loan, on the basis of the Loan Agreement, pending settlement of dispute for above claim of interest, which is lying before the Ld. Court at Barasat, West Bengal and the Debt Recovery Tribunal, Delhi.

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

6. Payment of Auditors :

| | (Rs. in '000) | |
|----------------------------------|---------------|------------|
| For the year ended 31st March, | 2006 | 2005 |
| a) Audit Fees. | | |
| Statutory and Tax Audit. | 520 | 275 |
| Audit u/s 80-IA(2003-04) | 90 | - |
| Others : | | |
| Income Tax Matters | 50 | 50 |
| Company Law Matters | 50 | 10 |
| Certification Work | 25 | 10 |
| Any Other Matter | 347 | 55 |
| | 1082 | 400 |
| b) Out of Pocket Expenses | 163 | 66 |

7. Directors Remuneration :

| | (Rs. in '000) | |
|--------------------------------|---------------|-------------|
| For the year ended 31st March, | 2006 | 2005 |
| Salaries | 3600 | 3600 |
| Perquisites | 771 | 618 |
| Contribution to Provident Fund | 432 | 432 |
| | 4803 | 4650 |

The Managerial remuneration referred above though approved by Shareholders in General Meeting, is subject to the approval pending with Central Government as on the date of signing of Balance Sheet in lieu of default in repayment of Rural Electrification Corporation Loan.

Computation of net profit in accordance with section 198 read with section 349 of the Companies Act, 1956

| | (Rs. in '000) | |
|---|---------------|---------------|
| For the year ended 31st March, | 2006 | 2005 |
| Profit before Taxation | 214260 | 58262 |
| Add : Depreciation as per accounts | 70867 | 67535 |
| Directors' Remuneration | 4803 | 4650 |
| | 289930 | 130447 |
| Less : Depreciation as per Section 350 | 83550 | 78547 |
| Net Profit for Section 198 of the Companies Act, 1956 | 206380 | 51900 |

8. According to the Group, Construction activity is a service activity and therefore, the same is covered under para 3(ii)(c) of Part II of Schedule VI to the Companies Act, 1956. Keeping in view the nature of operations of the Company, the quantitative details in respect of engineering, procurement and construction business are not furnished.

In respect of wind generation manufacturing business :

Sales and Income from operations in Profit and Loss account includes Rs. 38037 Thousands (Previous year Rs. 41111 Thousands) from sale of generation of power from Wind Farms.

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | In Units | (Rs. in '000) | In Units | (Rs. in '000) |
|--------------------------------|----------|---------------|----------|---------------|
| For the year ended 31st March, | 2006 | 2006 | 2005 | 2005 |
| Power generated | 14132221 | N.A. | 15368580 | N.A. |
| Power Sold | 14132221 | 38037 | 15368580 | 41111 |

In respect of Construction Steel Material-Trading :

Sales and Income from operations in Profit and Loss Account includes Rs. 612715 Thousands from sale of Construction Steel Material.

| | 2006 | | 2005 | |
|--------------------------------|---------------------|------------------------|---------------------|------------------------|
| For the year ended 31st March, | (In Tonnes) Qty. | (Rs. in '000) Value | (In Tonnes) Qty. | (Rs. in '000) Value |
| Power generated | 21772.46 | 606103. | - | - |
| Power Sold | 21772.46 | 612715 | - | - |

9. Expenditure in Foreign Currency

| | (Rs. in '000) | |
|---------------------------------------|---------------|------------|
| For the year ended 31st March, | 2006 | 2005 |
| Purchase for Contracts | 3504 | 760 |
| Travelling and others | 4165 | 3502 |
| 10. Income in Foreign Currency | NIL | NIL |

11. Disclosure Requirement as per Accounting Standard 7 (Revised) issued by the Institute of Chartered Accountants of India for "Construction Contracts" the amount considered in the financial statements up to the reporting date are as under :

| | (Rs. in '000) | |
|--|---------------|---------|
| For the year ended 31st March, | 2006 | 2005 |
| Contract Revenue Recognised as Revenue | 3915687 | 2453867 |
| Contract Cost Incurred add Recognised Profit, Less Recognised Loss | 4007413 | 2471785 |
| Advance Received | 1183941 | 292550 |
| Gross amount due from customers for Contract Works | 369379 | 213633 |
| Gross amount due to customers for Contract Works | Nil | Nil |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

12. In compliance with the Accounting Standard 22 (AS-22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the Company has adjusted the Deferred Tax arising during the year. Accordingly Deferred Tax Credit Reversal (Net) arising out of the Timing Differences during the year ended 31st March, 2006 aggregating to Rs. 19000 Thousands has been recognised in the Profit & Loss Account. The Deferred Tax Asset and Liabilities comprises tax effect of following timing differences:

| For the year ended 31st March, | (Rs. in '000) | |
|--------------------------------|---------------|---------------|
| | 2006 | 2005 |
| DEFERRED TAX LIABILITY | | |
| Depreciation | 106034 | 117228 |
| Retention Money | 11227 | 12205 |
| | 117261 | 129433 |
| DEFERRED TAX ASSET | | |
| Others | 7148 | 320 |
| | 110113 | 129113 |

13. Related Parties Disclosures :

Information given in accordance with the requirements of Accounting Standard 18 (AS-18) on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

List of Related Parties

1. Relationships:

(A) Related parties with whom the Group had transactions, etc

(I) Enterprises :

- (a) Subhash Kabini Power Corporation Limited (Associate Company)
- (b) International Construction Limited
- (c) Bharat Hydro Power Corporation Limited
- (d) SPM Engineers Limited
- (e) Subhash Yurim Textiles Limited
- (f) 20th Century Engineering Limited
- (g) Arihant Leasing & Holding Limited
- (h) Subhash Pipes Limited
- (i) Sonal Agencies Private Limited
- (j) Abhinandan Enterprises Private Limited
- (k) Rishab Commercials Private Limited
- (l) Zoom Industrial Services Limited
- (m) Binwa Power Company Private Limited
- (n) Rupin Tons Power Private Limited
- (o) Uttarkashi Tons Hydro Power Private Limited
- (p) Tons Valley Power Company Private Limited
- (q) SPML India Limited
- (r) Subhash System Private Limited
- (s) Delhi Waste Management Pvt. Ltd. (Associate Company)
- (t) Pondicherry Port Limited (Associate Company)
- (u) Suraksha Insurance Services Private Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(II) Key Management Personnel :

- (a) Mr. Anil K. Sethi (b) Mr. Subhash C. Sethi (c) Mr. Sushil K. Sethi (d) Mr. R.L. Gaggar
- (e) Mr. Kalidas Mukhopadhyay (f) Mr. B.B. Chakroborty (g) Mr. A. Bhattacharjee (h) Mr. Deepak Sethi

(III) Joint Ventures :

- (a) Degremont-Subhash JV (b) M & P - Subhash JV (c) Subhash-KB-Emco JV (d) Subhash - Maytas JV (e) Subhash - Simplex JV

(IV) Relatives of Key Management Personnel :

- (a) Mr. P.C. Sethi (b) Smt. Maina Devi Sethi (c) Smt. Preeti Devi Sethi (d) Smt. Suman Devi Sethi (e) Smt. Sandhya Rani Sethi
- (f) Mr. Rishabh Sethi (g) Mr. Harshvardhan Sethi (h) P.C. Sethi & Sons (HUF) (i) Anil Kumar Sethi & Sons (HUF)
- (j) Subhash C. Sethi & Sons (HUF) (k) Sushil Kumar Sethi & Sons (HUF)

Note : Related Party Relationship is as identified and informed by the Mangment of the Group.

2. Transactions carried out with related parties referred in 1 above, in ordinary course of business.

(Rs. in Lakhs)

| NATURE OF TRANSACTIONS | RELATED PARTIES | | | |
|----------------------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| | Referred in A(I) above | Referred in A(II) above | Referred in A(III) above | Referred in A(IV) above |
| Purchases | | | | |
| Goods & Materials | 386 (905) | | | |
| Sales | | | | |
| Goods & Materials | 736 (75) | | 173 (73) | |
| Expenses | | | | |
| Rent & Other services | 16 (17) | 56 (4) | | 90 (49) |
| Remuneration | | 48 (47) | | |
| Interest Paid | 19 (3) | | | |
| Directors Fees | | 2 (1) | | |
| Income | | | | |
| Rent & Other services | 4 (7) | | | |
| Sales of Investments | - (50) | | | |
| Investments made | 73 (31) | | 18 (-) | |
| Finance | | | | |
| Adv./Loan Received | 690 (50) | | | |
| Loan / Deposit Given | 2048 (189) | | | |
| Investment outstanding | 2387 (1661) | | 18 (-) | |
| Balance Outstanding | | | | |
| Payable | 348 (919) | 5 (11) | - (43) | 7 (14) |
| Receivable | 1932 (253) | | 80 (62) | |

Note : Bracket () reflects Previous year figures

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

14. SEGMENT REPORTING.

(a) PRIMARY SEGMENT INFORMATION (BUSINESS SEGMENTS)

(Rs. in '000)

| For the year ended 31st March, | | 2006 | |
|--|--------------|--------|--------------|
| PARTICULARS | Construction | Wind | Consolidated |
| 1. Segment Revenue | | | |
| - External Sales | 3915687 | 38037 | 3953724 |
| - Inter Segment Sales | -- | -- | -- |
| Total Revenue | 3915687 | 38037 | 3953724 |
| 2. Segment Result | | | |
| - Unallocated Corporate Expenses net of unallocated income | | | |
| Profit before interest and taxation | 247054 | (271) | 246783 |
| - Interest paid - Net | | | 32522 |
| - Provision for Taxation - Net | | | (113) |
| 3. Profit after Taxation | | | 214374 |
| Other Information | | | |
| 1. Segment Assets | 3060265 | 243757 | 3304022 |
| - Unallocated Corporate Assets | -- | -- | 242736 |
| Total Assets | -- | -- | 354676 |
| 2. Segment Liabilities | 2356012 | 101611 | 2457623 |
| - Unallocated Corporate Liabilities | -- | -- | 143553 |
| Total Liabilities | -- | -- | 2601176 |
| 3. Capital Expenditure during the year. | 180048 | 15781 | 195829 |
| 4. Depreciation | 47250 | 23617 | 70867 |
| 5. Non Cash expenditure other than depreciation. | -- | -- | 1142 |

b) SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENTS)

The Company operates in India and no separate reportable geographical segment has been identified.

15. Financial Reporting of interest in Joint Ventures

Information given in accordance with the requirements of Accounting Standard (AS) 27 on Financial Reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

Simplex-Subhash JV

Share of Profit (included in Turnover) Rs. 173 Lakhs

Investment in JV Rs. 18 Lakhs

The company has entered in other Joint ventures but all these are not significant joint ventures and does require disclosure, as **per point 53 of Accounting Standard (AS) 27**

16. Prior Period Adjustments : Purchase Reversal & Income consists of Rs. 5850 Thousands [Previous year Rs. 2510 Thousands] and Sales Reversal & Expenses consists of Rs. 1963 Thousands [Previous Year Rs. 494 Thousands] resulting into Net Income (expenses) of Rs. (3907) Thousands [previous year Rs. 2016 Thousands].

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

17. The Company has segregated advances from customers (Current Liabilities) and Mobilisation advance from customers (Unsecured Loan) on the basis of the estimated execution period of the contract.

18. The outstanding dues to SSI Units have not been ascertained in the absence of any reply received from suppliers to the Company for segregation of SSI Units as informed by the management of the Company.

19. Accounting for investments in Associate :

| Name of the associates | Method adopted | % of Holding |
|--|----------------|--------------|
| 1. Subhash Kabini Power Corporation Limited, Bangalore | Equity Method | 47.85% |
| 2. Delhi Waste Management Private Ltd., Delhi | At Cost* | 49.67% |
| 3. Pondichery Port Limited | At Cost* | 49.60% |

Note : * Investments taken at cost due to non-availability of Audited Financial Statements

20. Previous year figures have been re-grouped / re-arranged wherever considered necessary to facilitate comparison.

Signatories to the Schedules "A" to "P"

As per our attached report of even date

For Sunil Kumar Gupta & Co.

For and on behalf of the Board

Chartered Accountants

S. K. Gupta

Partner
M/No. 82486

Kolkata

The 30th day of June, 2006

B. N. Choudhary

Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi

Chairman

Subhash C. Sethi

Vice Chairman &
Managing Director

Sushil K. Sethi

Managing Director

CONSOLIDATED CASH FLOW STATEMENT

| For the year ended 31st March, | (Rs. in | |
|--|------------------|-----------------|
| | 2006 | 2005 |
| A : Cash Flow From Operating Activities | | |
| Net Profit Before Tax and Extraordinary Items | 214,260 | 58,262 |
| Miscellaneous Expenditure Written Off | 1,142 | 1,535 |
| Depreciation | 70,867 | 67,535 |
| Loss (profit) on Sale of Investment | - | (3,465) |
| Dividend Income | (3) | (28) |
| Interest (Net) | 32,522 | 25,833 |
| Loss (profit) on Sale of Fixed Assets | (607) | (6,386) |
| Operating Profit Before Working Capital Changes | 318,181 | 143,287 |
| Adjusted for | | |
| Trade & Other Recoverables | (596,208) | (421,733) |
| Inventories | (369,379) | (213,633) |
| Trade Payable | 396,902 | 438,809 |
| | (568,685) | (196,556) |
| Cash Generated From Operations | (250,504) | (53,269) |
| Taxes Paid | (12,200) | (5,000) |
| | (262,704) | (58,269) |
| Net Prior Period (Expenses) Income | (3,907) | 2,016 |
| Net Cash Flow From Operating Activities (A) | (266,611) | (56,253) |
| B: Cash Flow From Investing Activities | | |
| Purchase of Fixed Assets & Capital WIP | (195,829) | (60,598) |
| Sale of Fixed Assets | 1,360 | 7,060 |
| Purchase of Investments | (74,383) | (3,371) |
| Sale of Investments | 304 | 5,906 |
| Movement in Loans | (1,155) | 3,622 |
| Dividend Income | 3 | 28 |
| | (269,700) | (47,353) |
| Net Cash Used in Investing Activities (B) | (269,700) | (47,353) |
| C: Net Cash Used In Financing Activities | | |
| Increase in Miscellaneous expenditure | (22) | 935 |
| Interim Dividend & Dividend Tax Paid | - | (7,046) |
| Proceeds from Long Term & Other Borrowings (net) | 614,021 | 204,615 |
| Increase in Share Application Money | 131,815 | - |
| Interest | (32,522) | (25,833) |
| | 713,292 | 172,671 |
| Net Cash Proceeds from Financing Activities (C) | 713,292 | 172,671 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | 176,981 | 69,065 |
| Opening Balance of Cash and Cash Equivalents | 245,841 | 176,776 |
| Closing Balance of Cash and Cash Equivalents | 422,822 | 245,841 |

For Sunil Kumar Gupta & Co.
Chartered Accountants

S. K. Gupta
Partner
M/No. 82486
Kolkata
The 30th day of June, 2006

B. N. Choudhary
Executive Vice President
(Finance) & Company Secretary

Anil K. Sethi
Chairman

Subhash C. Sethi
Vice Chairman &
Managing Director

For and on behalf of the Board

Sushil K. Sethi
Managing Director

AWA POWER COMPANY PRIVATE LIMITED

Board of Directors :

Mr. Anil Kumar Sethi
Mr. Sushil Kumar Sethi
Mr. B.B. Mukherjee
Mr. Anil Kumar Sharma
Mr. M. Sundaresan.

Auditors :

Dhamija Sukhija & Co
Chartered Accountants
913-914, Navrang House,
K.G.Marg,
New Delhi – 110 001

Registered office :

C/o. R.K.Sood
Behind Hotel Yamini Aima,
Palampur District,
Kangra,
Himachal Pradesh

Bankers :

State Bank of India
Overseas Branch,
St. Marks Road,
Bangalore

DIRECTORS' REPORT

To
The Members

Your directors have pleasure in presenting the Fifth Annual Report and Audited statement of account of the company for the year ended 31st March 2006.

PROGRESS OF THE PROJECT & FINANCIAL RESULTS

Construction of the Project has already commenced with award of EPC contract and works on the fronts of diversion weir, de-silting chamber and Water conductor are in good progress. In respect of water conductor, the excavation is completed to 350 mtr. Stretch and all preliminary arrangements for commencing the concreting works for water conductor are in place at the project site. Diversion weir excavation on the down stream side is nearing completion and all arrangement for commencing the concreting works taken up already. Scheme drawings and construction drawings have already been finalised.

The company is expecting to sign implementation agreement for enhanced capacity of 3 x 1.5 MW with the State Government shortly. Consequently PPA for the enhanced capacity will be entered into with State Electricity Board. Final forest clearance from MOEF, Chandigarh obtained already on 20.1.06. Clearance from PCB is in place. The company has achieved financial closure with clearance of term loan sanction by Punjab National Bank.

The Registered office of the company has already been shifted from New Delhi to Himachal Pradesh as per the requirement of the agreement with the State Government.

The company had not commenced its commercial operations during the year under review as its project is under implementation stage. However, the requirements as per Schedule VI, Part III of the Companies Act have been disclosed in Project development expenditure in Schedule B forming part of the Audited Balance sheet.

DIVIDEND

Your Directors do not recommend dividend for the year under review as the company had not commenced its commercial operations.

PROSPECTS

Construction activity of the Project has already commenced and the Project is expected to be implemented in the year 2007-08.

PARTICULARS OF ENERGY CONSERVATION ETC.

As the company is in project implementation stage, the requirement to furnish in Form A & B as per the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 does not arise.

PARTICULARS OF EMPLOYEES

The particulars required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the period under review are not applicable.

CORPORATE GOVERNANCE

In its Code of Corporate Governance the Company is committed to ensure long term value for all its shareholders' investment consistent with fairness to all the stakeholders and with due concern for environment and social responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereunder state that;

- In the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies as mentioned in Schedule to the Accounts 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 as on 31st March 2006.
- 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 for the year ended 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s Dhamija Sukhija & Co., Chartered Accountants, New Delhi retire at the Annual General Meeting and being eligible, offer themselves for re-appointment. Member may resolve to that end.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the whole-hearted and sincere co-operation received from the staff, Bankers and Consultants of the company.

The Directors also deeply acknowledge the trust & confidence you have placed in the company.

On Behalf of the Board
Sushil K Sethi
Director

Place : New Delhi
Date : 17th May 2006

AWA POWER COMPANY PRIVATE LIMITED

AUDITOR'S REPORT

The Shareholders
AWA Power Company Private Limited
Himachal Pradesh

We've audited the attached Balance Sheet of M/s **AWA Power Company Private Limited, Himachal Pradesh** as at 31.03.06 and also the annexed schedules for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our Audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the (Companies Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, We enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable
- Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 such books;
 - The Balance Sheet dealt with by this report is in agreement with the books of account;
 - In our opinion, the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - On the basis of written representations received from directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India, and give in the case of Balance-Sheet, of the state of affairs of the Company as at 31st March 2006.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

ANNEXURE TO AUDITOR'S REPORT

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, we report that:

- There are no fixed assets with the company as on the date of Balance sheet.
- In our opinion, no loans have been obtained from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not given any loans or advances in the nature of loans.
- 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 various purchases relating to the implementation of the project.
- There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at the last of the financial year concerned for a period of more than six months from the date of becoming payable.
- As per the information and explanations given to us since the Project is still under implementation, other clauses of paragraph 4 and Paragraph 5 of the Companies (Auditors' Report) Order, 2003, are not applicable.

Place : New Delhi
Date : 17th May 2006

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

AWA POWER COMPANY PRIVATE LIMITED

BALANCE SHEET

| | | (Amount in Rs.) | |
|---|----------|----------------------|-------------------|
| As at 31st March, | Schedule | 2006 | 2005 |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS FUND | | | |
| Share Capital | A | 500,000.00 | 500,000.00 |
| Advance against Share Capital | A | 58,424,000.00 | 350,000.00 |
| Reserves & Surplus: | | | |
| LOAN FUNDS | | | |
| Secured Loan | | 0.00 | 0.00 |
| Unsecured Loan | | | |
| TOTAL | | 58,924,000.00 | 850,000.00 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Fixed Assets | B | 0.00 | 0.00 |
| Capital Work in progress | | 4,249,050.26 | 845,744.76 |
| Supply advances | | 54,148,669.74 | 0.00 |
| INVESTMENTS | | | |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Current Assets | C | 26,979.00 | 0.00 |
| Loans & Advances | D | 507,207.00 | 0.00 |
| | | 534,186.00 | 0.00 |
| Less : Current Liabilities & Provisions | E | 25,736.00 | 7,962.76 |
| NET CURRENT ASSETS | | 508,450.00 | (7,962.76) |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | | | |
| Preliminary Expenditures | | 6,218.00 | 6,218.00 |
| Pre-operative Expenditure | | 11,612.00 | 17,830.00 |
| TOTAL | | 58,924,000.00 | 850,000.00 |
| NOTES ON ACCOUNTS | | | |
| | G | | |

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

For and on behalf of the Board

Sushil Kumar Sethi
Director

Anil Kumar Sharma
Director

AWA POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | (Amount in Rs.) | |
|---|----------------------|-------------------|
| | 2006 | 2005 |
| SCHEDULE 'A' | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 50000 Equity shares of Rs.10/- each | 500,000.00 | 500,000.00 |
| Issued,Subscribed & Paid up | | |
| 50,000 (50,000) Equity shares of Rs.10/- each, fully paid | 500,000.00 | 500,000.00 |
| Advance against Share capital | | |
| M/s.Subhash Kabini Power Corporation Limited | 40,924,000.00 | |
| M/s.Subhash Projects and Marketing Limited | 17,500,000.00 | 350,000.00 |
| | 58,424,000.00 | 350,000.00 |
| TOTAL | 58,924,000.00 | 850,000.00 |

SCHEDULE 'B'**FIXED ASSETS**

| | a) Fixed Assets | | b) Capital Work in progress : | | |
|--|-------------------|----------------------|-------------------------------|-----------------|-----------------|
| | 0.00 | 0.00 | As at 31.3.2005 | During the year | Upto 31.03.2006 |
| i) Project Development Expenditures : | | | | | |
| Communication expenses | 5,459.10 | 0.00 | 5,459.10 | | |
| Consultancy and Professional Charges | 202,643.75 | 782,391.00 | 985,034.75 | | |
| Employees Expenses | 203,815.60 | 107,497.00 | 311,312.60 | | |
| Finance Charges | 142,703.80 | 116,375.00 | 259,078.80 | | |
| Labour Charges | | 31,215.00 | 31,215.00 | | |
| Miscellaneous Exps | 33,634.33 | 1,436.00 | 35,070.33 | | |
| Printing & Stationary | 12,399.72 | 4,289.50 | 16,689.22 | | |
| Staff welfare expenses | 9,545.80 | 1,812.00 | 11,357.80 | | |
| Travelling Expenses | 147,368.73 | 29,456.00 | 176,824.73 | | |
| Water & Electricity | 3,845.60 | 0.00 | 3,845.60 | | |
| Office Expenses | 32,750.20 | 0.00 | 32,750.20 | | |
| Statutory Clearances & Rates & taxes | 19,915.00 | 254,055.00 | 273,970.00 | | |
| Rent | 31,663.13 | 500.00 | 32,163.13 | | |
| | 845,744.76 | 1,329,026.50 | 2,174,771.26 | | |
| ii) Civil : | | | | | |
| Forest land diversion charges | | 1,738,724.00 | 1,738,724.00 | | |
| Forest land compensatory afforestation charges | | 335,555.00 | 335,555.00 | | |
| | 0.00 | 2,074,279.00 | 2,074,279.00 | | |
| | 845,744.76 | 3,403,305.50 | 4,249,050.26 | | |
| c) Supply Advances | | | | | |
| | | 54,148,669.74 | 54,148,669.74 | | |

AWA POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| As at 31st March, | (Amount in Rs.) | |
|--|-----------------|-------------|
| | 2006 | 2005 |
| SCHEDULE 'C' | | |
| CURRENT ASSETS | | |
| Cash in hand | | |
| Balance with Scheduled Bank in Current account | 26,979.00 | 26,979.00 |
| | | 0.00 |
| SCHEDULE 'D' | | |
| LOANS & ADVANCES | | |
| (Unsecured, considered good) | | |
| Advances & Deposit | 507,207.00 | 507,207.00 |
| | | 0.00 |
| | | 0.00 |

SCHEDULE 'E'**CURRENT LIABILITIES & PROVISIONS**

| | | | | |
|------------------------|-----------|------------------|----------|-----------------|
| Current Liabilities | | | | |
| Advance received | | | | |
| Sundry Creditors | 689.00 | | 1,879.76 | |
| Creditors for Expenses | 24,197.00 | | 6,083.00 | |
| Other Liabilities | 850.00 | 25,736.00 | | 7,962.76 |
| Provisions | | | | |

SCHEDULE 'F'**MISCELLANEOUS EXPENDITURE**

(To the extent not written or adjusted)

| | a) Preliminary Expenditures | | b) Pre-operative Expenditures | | |
|--------------------------|-----------------------------|-----------------|-------------------------------|-----------------|-----------------|
| | 6,218.00 | 6,218.00 | As at 31.3.2005 | During the year | Upto 31.03.2006 |
| Auditors' Remuneration : | | | | | |
| For Statutory Audit | 6,000.00 | 5,612.00 | 11,612.00 | | |
| | 6,000.00 | 5,612.00 | 11,612.00 | | |

AWA POWER COMPANY PRIVATE LIMITED**SCHEDULES FORMING PART OF THE BALANCE SHEET****SCHEDULE 'G'**

Schedule of Accounting Policies and Notes attached to and forming part of the Company's Statement of Accounts as at and for the year ended 31st March 2006

A. SIGNIFICANT ACCOUNTING POLICIES :**i. Basis of Accounting**

Accounts are prepared on accrual basis under Historical Cost Conventions and on the Accounting principle of Going Concern concept.

ii. Fixed Assets and Depreciation

There are no fixed assets as on the date of Balance sheet.

Project development expenditure pending allocation to various asset accounts will be capitalized on commencement of commercial production or operation.

iii. Miscellaneous Expenditure

The expenditure relating to pre-operative & preliminary expenditures will be written off over a period of 5 years commencing from the year of commercial operation.

iv. Taxation

Accounting for taxes on income in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India does not arise, as the company has not commenced its commercial operation during the year.

ix. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. Claims against Company not acknowledged as debt - NIL (PY-Nil)
2. Contingent liability not provided for - NIL (PY-Nil)
3. Estimated Amount of contracts remaining to be executed on capital accounts and not provided for is Rs.2159 lakhs (PY-Nil)
4. Balances in Advance/Deposits and Sundry Creditors are subject to confirmation.
5. There are no outstanding dues to SSI units based on the information available with the company.
6. The details of quantity of turnover as per clause 3 (ii)(c) of part II of Sch.VI of the companies Act of 1956 – Not applicable as the company has not started its operation.
7. Expenditure in Foreign currency - NIL (PY-Nil)
8. Income in Foreign Currency – NIL (PY-Nil)
9. Deferred Taxation – Not applicable as the company has not started its operation.
10. Previous year figures have been regrouped / rearranged wherever considered necessary.

As per our attached Report of even date

For Dhamija Sukhija & Co.
Chartered Accountants

A. K. Dhamija
Partner
Place : New Delhi
Date : 17th May 2006

Sushil Kumar Sethi
Director

For and on behalf of the Board

Anil Kumar Sharma
Director

AWA POWER COMPANY PRIVATE LIMITED**BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE**

As at & for the period ended 31st March 2006

(Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956.)

I. REGISTRATION DETAILS

Registration No. U 4 5 2 0 2 H P 2 0 0 5 P T C 0 2 9 0 0 0 State Code No. 6

Balance Sheet Date 3 1 0 3 2 0 0 6

II. CAPITAL RAISED DURING THE YEAR (Rs. in 000's)

Public Issue NIL Rights Issue NIL

Bonus Issue NIL Private Placements NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000's)

Total Liabilities 5 8 9 2 4 Total Assets 5 8 9 2 4

SOURCES OF FUNDS

Paid up Capital 5 0 0 Reserves & Surplus NIL

Advance against Share Capital 5 8 4 2 4 Unsecured Loans 0

Secured Loans NIL

APPLICATION OF FUNDS

Net Fixed Assets 5 8 3 9 8 Investments NIL

Net Current Assets 5 0 8 Misc. Expenditure 1 8

IV. PERFORMANCE OF COMPANY (Rs. in 000's)

Turnover NIL Total Expenditure NIL

Profit before tax NIL Profit after tax NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCT OF COMPANY (As per Monetary terms)

Item No. NA

Product Description POWER GENERATION

IQU POWER COMPANY PRIVATE LIMITED

Board of Directors :

Mr. Anil Kumar Sethi
Mr. Sushil Kumar Sethi
Mr. B.B. Mukherjee
Mr. Anil Kumar Sharma
Mr. M. Sundaresan

Auditors :

Dhamija Sukhija & Co
Chartered Accountants
913-914, Navrang House,
K.G.Marg,
New Delhi – 110 001

Registered office :

C/o. R.K.Sood
Behind Hotel Yamini Aima,
Palampur District,
Kangra,
Himachal Pradesh

Bankers :

State Bank of India
Overseas Branch,
St. Marks Road,
Bangalore

DIRECTORS' REPORT

To
The Members

Your directors have pleasure in presenting the Fifth Annual Report and Audited statement of account of the company for the year ended 31st March 2006.

PROGRESS OF THE PROJECT & FINANCIAL RESULTS

Construction of the Project has already commenced with award of EPC contract and works on the fronts of diversion weir, de-silting chamber and Water conductor are in good progress. In respect of water conductor, the excavation is completed to 350 mtr. Stretch and all preliminary arrangements for commencing the concreting works for water conductor are in place at the project site. Diversion weir excavation on the down stream side is nearing completion and all arrangement for commencing the concreting works taken up already. Scheme drawings and construction drawings have already been finalised.

The company is expecting to sign implementation agreement for enhanced capacity of 3 x 1.5 MW with the State Government shortly. Consequently PPA for the enhanced capacity will be entered into with State Electricity Board. Final forest clearance from MOEF, Chandigarh obtained already on 20.1.06. Clearance from PCB is in place. The company has achieved financial closure with clearance of term loan sanction by Punjab National Bank.

The Registered office of the company has already been shifted from New Delhi to Himachal Pradesh as per the requirement of the agreement with the State Government.

The company had not commenced its commercial operations during the year under review as its project is under implementation stage. However, the requirements as per Schedule VI, Part III of the Companies Act have been disclosed in Project development expenditure in Schedule B forming part of the Audited Balance sheet.

DIVIDEND

Your Directors do not recommend dividend for the year under review as the company had not commenced its commercial operations.

PROSPECTS

Construction activity of the Project has already commenced and the Project is expected to be implemented in the year 2007-08.

PARTICULARS OF ENERGY CONSERVATION ETC.

As the company is in project implementation stage, the requirement to furnish in Form A & B as per the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 does not arise.

PARTICULARS OF EMPLOYEES

The particulars required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the period under review are not applicable.

CORPORATE GOVERNANCE

In its Code of Corporate Governance the Company is committed to ensure long term value for all its shareholders' investment consistent with fairness to all the stakeholders and with due concern for environment and social responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereunder state that;

- In the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies as mentioned in Schedule to the Accounts 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 as on 31st March 2006.
- 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 for the year ended 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s Dhamija Sukhija & Co., Chartered Accountants, New Delhi retire at the Annual General Meeting and being eligible, offer themselves for re-appointment. Member may resolve to that end.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the whole-hearted and sincere co-operation received from the staff, Bankers and Consultants of the company.

The Directors also deeply acknowledge the trust & confidence you have placed in the company.

On Behalf of the Board
Sushil K Sethi
Director

Place : New Delhi
Date : 17th May 2006

IQU POWER COMPANY PRIVATE LIMITED

AUDITOR'S REPORT

The Shareholders
IQU Power Company Private Limited
Himachal Pradesh

We've audited the attached Balance Sheet of M/s **IQU Power Company Private Limited, Himachal Pradesh** as at 31.03.06 and also the annexed schedules for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our Audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the (Companies Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, We enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable
- Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 such books;
 - The Balance Sheet dealt with by this report is in agreement with the books of account;
 - In our opinion, the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - On the basis of written representations received from directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India, and give in the case of Balance-Sheet, of the state of affairs of the Company as at 31st March 2006.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

ANNEXURE TO AUDITOR'S REPORT

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, we report that:

- There are no fixed assets with the company as on the date of Balance sheet.
- In our opinion, no loans have been obtained from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable
- The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not given any loans or advances in the nature of loans.
- 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 various purchases relating to the implementation of the project.
- There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at the last of the financial year concerned for a period of more than six months from the date of becoming payable.
- As per the information and explanations given to us since the Project is still under implementation, other clauses of paragraph 4 and Paragraph 5 of the Companies (Auditors' Report) Order, 2003, are not applicable.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

IQU POWER COMPANY PRIVATE LIMITED

BALANCE SHEET

| | | (Amount in Rs.) | |
|---|----------|----------------------|-------------------|
| As at 31st March, | Schedule | 2006 | 2005 |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS FUND | | | |
| a. Share Capital | A | 500,000.00 | 500,000.00 |
| a. Advance against Share Capital | A | 58,809,000.00 | 345,000.00 |
| b. Reserves & Surplus: | | | |
| LOAN FUNDS | | | |
| a. Secured Loan | | 0.00 | 0.00 |
| b. Unsecured Loan | | | |
| TOTAL | | 59,309,000.00 | 845,000.00 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| a. Fixed Assets | B | 0.00 | 0.00 |
| b. Capital Work in progress | | 4,980,103.26 | 882,402.76 |
| c. Supply advances | | 53,748,122.74 | 0.00 |
| INVESTMENTS | | | |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Current Assets | C | 19,682.00 | 0.00 |
| b. Loans & Advances | D | 555,071.00 | 0.00 |
| | | 574,753.00 | 0.00 |
| Less: Current Liabilities & Provisions | E | 11,809.00 | 49,620.76 |
| NET CURRENT ASSETS | | 562,944.00 | (49,620.76) |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | | | |
| a) Preliminary Expenditures | | 6,218.00 | 6,218.00 |
| b) Pre-operative Expenditure | | 11,612.00 | 12,218.00 |
| TOTAL | | 59,309,000.00 | 845,000.00 |
| NOTES ON ACCOUNTS | G | | |

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija

Partner

Place : New Delhi

Date : 17th May 2006

For and on behalf of the Board

Sushil Kumar Sethi
DirectorAnil Kumar Sharma
Director

IQU POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | (Amount in Rs.) | |
|---|---------------|----------------------|-------------------|
| As at 31st March, | | 2006 | 2005 |
| SCHEDULE : A : | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 50000 Equity shares of Rs.10/- each | | 500,000.00 | 500,000.00 |
| Issued,Subscribed & Paid up | | | |
| 50,000 (50,000) Equity shares of Rs.10/- each, fully paid | | 500,000.00 | 500,000.00 |
| Advance against Share capital | | | |
| M/s.Subhash Kabini Power Corporation Limited | 42,309,000.00 | | |
| M/s.Subhash Projects and Marketing Limited | 16,500,000.00 | | |
| | | 58,809,000.00 | 345,000.00 |
| | | | 345,000.00 |
| TOTAL | | 59,309,000.00 | 845,000.00 |

SCHEDULE 'B'**FIXED ASSETS****a) Fixed Assets**

0.00

0.00

b) Capital Work in progress :

| | As at 31.3.2005 | During the year | Upto 31.03.2006 |
|--|-----------------|-----------------|-----------------|
| i) Project Development Expenditures | | | |
| Communication expenses | 4,957.09 | 0.00 | 4,957.09 |
| Consultancy and Professional Charges | 224,435.75 | 688,515.00 | 912,950.75 |
| Conveyance Expenses | 27,091.83 | 3,144.00 | 30,235.83 |
| Employees Expenses | 224,115.60 | 1,960.00 | 226,075.60 |
| Finance Charges | 142,703.80 | 28,998.00 | 171,701.80 |
| Labour Charges | 0.00 | 22,800.00 | 22,800.00 |
| Miscellaneous Exps | 23,022.33 | 0.00 | 23,022.33 |
| Printing & Stationary | 11,769.72 | 6,216.50 | 17,986.22 |
| Staff welfare expenses | 7,998.80 | 1,398.00 | 9,396.80 |
| Travelling Expenses | 119,905.91 | 32,541.00 | 152,446.91 |
| Water & Electricity | 4,093.60 | 0.00 | 4,093.60 |
| Office Expenses | 30,746.20 | 3,730.00 | 34,476.20 |
| Rates & Taxes and Statutory Clearances | 20,899.00 | 254,055.00 | 274,954.00 |
| Rent | 39,663.13 | 0.00 | 39,663.13 |
| Wages | 0.00 | 20,250.00 | 20,250.00 |
| Site Development Expenses | 1,000.00 | 50,729.00 | 51,729.00 |
| | 882,402.76 | 1,114,336.50 | 1,996,739.26 |
| ii) Civil : | | | |
| Forest land diversion charges | | 2,543,764.00 | 2,543,764.00 |
| Forest land compensatory afforestation charges | | 439,600.00 | 439,600.00 |
| | 0.00 | 2,983,364.00 | 2,983,364.00 |
| | 882,402.76 | 4,097,700.50 | 4,980,103.26 |
| c) Supply Advances | | 53,748,122.74 | 53,748,122.74 |

IQU POWER COMPANY PRIVATE LIMITED

Board of Directors :

Mr. Anil Kumar Sethi
Mr. Sushil Kumar Sethi
Mr. B.B. Mukherjee
Mr. Anil Kumar Sharma
Mr. M. Sundaresan

Auditors :

Dhamija Sukhija & Co
Chartered Accountants
913-914, Navrang House,
K.G.Marg,
New Delhi – 110 001

Registered office :

C/o. R.K.Sood
Behind Hotel Yamini Aima,
Palampur District,
Kangra,
Himachal Pradesh

Bankers :

State Bank of India
Overseas Branch,
St. Marks Road,
Bangalore

DIRECTORS' REPORT

To
The Members

Your directors have pleasure in presenting the Fifth Annual Report and Audited statement of account of the company for the year ended 31st March 2006.

PROGRESS OF THE PROJECT & FINANCIAL RESULTS

Construction of the Project has already commenced with award of EPC contract and works on the fronts of diversion weir, de-silting chamber and Water conductor are in good progress. In respect of water conductor, the excavation is completed to 350 mtr. Stretch and all preliminary arrangements for commencing the concreting works for water conductor are in place at the project site. Diversion weir excavation on the down stream side is nearing completion and all arrangement for commencing the concreting works taken up already. Scheme drawings and construction drawings have already been finalised.

The company is expecting to sign implementation agreement for enhanced capacity of 3 x 1.5 MW with the State Government shortly. Consequently PPA for the enhanced capacity will be entered into with State Electricity Board. Final forest clearance from MOEF, Chandigarh obtained already on 20.1.06. Clearance from PCB is in place. The company has achieved financial closure with clearance of term loan sanction by Punjab National Bank.

The Registered office of the company has already been shifted from New Delhi to Himachal Pradesh as per the requirement of the agreement with the State Government.

The company had not commenced its commercial operations during the year under review as its project is under implementation stage. However, the requirements as per Schedule VI, Part III of the Companies Act have been disclosed in Project development expenditure in Schedule B forming part of the Audited Balance sheet.

DIVIDEND

Your Directors do not recommend dividend for the year under review as the company had not commenced its commercial operations.

PROSPECTS

Construction activity of the Project has already commenced and the Project is expected to be implemented in the year 2007-08.

PARTICULARS OF ENERGY CONSERVATION ETC.

As the company is in project implementation stage, the requirement to furnish in Form A & B as per the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 does not arise.

PARTICULARS OF EMPLOYEES

The particulars required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the period under review are not applicable.

CORPORATE GOVERNANCE

In its Code of Corporate Governance the Company is committed to ensure long term value for all its shareholders' investment consistent with fairness to all the stakeholders and with due concern for environment and social responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereunder state that;

- In the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies as mentioned in Schedule to the Accounts 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 as on 31st March 2006.
- 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 for the year ended 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s Dhamija Sukhija & Co., Chartered Accountants, New Delhi retire at the Annual General Meeting and being eligible, offer themselves for re-appointment. Member may resolve to that end.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the whole-hearted and sincere co-operation received from the staff, Bankers and Consultants of the company.

The Directors also deeply acknowledge the trust & confidence you have placed in the company.

On Behalf of the Board
Sushil K Sethi
Director

Place : New Delhi
Date : 17th May 2006

IQU POWER COMPANY PRIVATE LIMITED

AUDITOR'S REPORT

The Shareholders
IQU Power Company Private Limited
Himachal Pradesh

We've audited the attached Balance Sheet of M/s **IQU Power Company Private Limited, Himachal Pradesh** as at 31.03.06 and also the annexed schedules for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our Audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the (Companies Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, We enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable
- Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 such books;
 - The Balance Sheet dealt with by this report is in agreement with the books of account;
 - In our opinion, the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - On the basis of written representations received from directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India, and give in the case of Balance-Sheet, of the state of affairs of the Company as at 31st March 2006.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

ANNEXURE TO AUDITOR'S REPORT

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, we report that:

- There are no fixed assets with the company as on the date of Balance sheet.
- In our opinion, no loans have been obtained from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable
- The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not given any loans or advances in the nature of loans.
- 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 various purchases relating to the implementation of the project.
- There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at the last of the financial year concerned for a period of more than six months from the date of becoming payable.
- As per the information and explanations given to us since the Project is still under implementation, other clauses of paragraph 4 and Paragraph 5 of the Companies (Auditors' Report) Order, 2003, are not applicable.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

IQU POWER COMPANY PRIVATE LIMITED**BALANCESHEET ABSTRACT AND GENERAL BUSINESS PROFILE**

As at & for the period ended 31st March 2006

(Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956.)

I. REGISTRATION DETAILS

Registration No. U 4 5 2 0 2 H P 2 0 0 1 P T C 0 2 9 0 0 2 State Code No. 6
 Balance Sheet Date 3 1 0 3 2 0 0 6

II. CAPITAL RAISED DURING THE YEAR (Rs. in 000's)

Public Issue NIL Rights Issue NIL
 Bonus Issue NIL Private Placements NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000's)

Total Liabilities 5 9 3 0 9 Total Assets 5 9 3 0 9

SOURCES OF FUNDS

Paid up Capital 5 0 0 Reserves & Surplus NIL
 Advance against Share Capital 5 8 8 0 9 Unsecured Loans 0

Secured Loans NIL

APPLICATION OF FUNDS

Net Fixed Assets 5 8 7 2 8 Investments NIL
 Net Current Assets 5 6 3 Misc. Expenditure 1 8

IV. PERFORMANCE OF COMPANY (Rs. in 000's)

Turnover NIL Total Expenditure NIL
 Profit before tax NIL Profit after tax NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCT OF COMPANY (As per Monetary terms)

Item No NA
 Product Description POWER GENERATION

LUNI POWER COMPANY PRIVATE LIMITED**Board of Directors :**

Mr. Anil Kumar Sethi
 Mr. Sushil Kumar Sethi
 Mr. B.B. Mukherjee
 Mr. Anil Kumar Sharma
 Mr. M. Sundaresan

Auditors :

Dhamija Sukhija & Co
 Chartered Accountants
 913-914, Navrang House,
 K.G.Marg,
 New Delhi – 110 001

Registered office :

C/o. R.K.Sood
 Behind Hotel Yamini Aima,
 Palampur District,
 Kangra,
 Himachal Pradesh

Bankers :

State Bank of Travancore
 Residency Road,
 Bangalore

DIRECTORS' REPORT

To
 The Members

Your directors have pleasure in presenting the Fifth Annual Report and Audited statement of account of the company for the year ended 31st March 2006.

PROGRESS OF THE PROJECT & FINANCIAL RESULTS

Construction of the Project has already commenced with award of EPC contract and works on the fronts of diversion weir, de-silting chamber and Water conductor are in good progress. In respect of water conductor, the excavation is completed to 350 mtr. Stretch and all preliminary arrangements for commencing the concreting works for water conductor are in place at the project site. Diversion weir excavation on the down stream side is nearing completion and all arrangement for commencing the concreting works taken up already. Scheme drawings and construction drawings have already been finalised.

The company is expecting to sign implementation agreement for enhanced capacity of 3 x 1.5 MW with the State Government shortly. Consequently PPA for the enhanced capacity will be entered into with State Electricity Board. Final forest clearance from MOEF, Chandigarh obtained already on 20.1.06. Clearance from PCB is in place. The company has achieved financial closure with clearance of term loan sanction by Punjab National Bank.

The Registered office of the company has already been shifted from New Delhi to Himachal Pradesh as per the requirement of the agreement with the State Government.

The company had not commenced its commercial operations during the year under review as its project is under implementation stage. However, the requirements as per Schedule VI, Part III of the Companies Act have been disclosed in Project development expenditure in Schedule B forming part of the Audited Balance sheet.

DIVIDEND

Your Directors do not recommend dividend for the year under review as the company had not commenced its commercial operations.

PROSPECTS

Construction activity of the Project has already commenced and the Project is expected to be implemented in the year 2007-08.

PARTICULARS OF ENERGY CONSERVATION ETC.

As the company is in project implementation stage, the requirement to furnish in Form A & B as per the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 does not arise.

PARTICULARS OF EMPLOYEES

The particulars required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the period under review are not applicable.

CORPORATE GOVERNANCE

In its Code of Corporate Governance the Company is committed to ensure long term value for all its shareholders' investment consistent with fairness to all the stakeholders and with due concern for environment and social responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereunder state that;

- In the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies as mentioned in Schedule to the Accounts 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 as on 31st March 2006.
- 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 for the year ended 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s Dhamija Sukhija & Co., Chartered Accountants, New Delhi retire at the Annual General Meeting and being eligible, offer themselves for re-appointment. Member may resolve to that end.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the whole-hearted and sincere co-operation received from the staff, Bankers and Consultants of the company.

The Directors also deeply acknowledge the trust & confidence you have placed in the company.

On Behalf of the Board
Sushil K Sethi
 Director

Place : New Delhi
 Date : 17th May 2006

LUNI POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'G'

Schedule of Accounting Policies and Notes attached to and forming part of the Company's Statement of Accounts as at and for the year ended 31st March 2006

A. SIGNIFICANT ACCOUNTING POLICIES :

i. Basis of Accounting

Accounts are prepared on accrual basis under Historical Cost Conventions and on the Accounting principle of Going Concern concept.

ii. Fixed Assets and Depreciation

There are no fixed assets as on the date of Balance sheet.

Project development expenditure pending allocation to various asset accounts will be capitalized on commencement of commercial production or operation.

iii. Miscellaneous Expenditure

The expenditure relating to pre-operative & preliminary expenditures will be written off over a period of 5 years commencing from the year of commercial operation.

iv. Taxation

Accounting for taxes on income in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India does not arise, as the company has not commenced its commercial operation during the year.

ix. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. Claims against Company not acknowledged as debt - NIL (PY-Nil)
2. Contingent liability not provided for - NIL (PY-Nil)
3. Estimated Amount of contracts remaining to be executed on capital accounts and not provided for is Rs.2159 lakhs (PY-Nil)
4. Balances in Advance/Deposits and Sundry Creditors are subject to confirmation.
5. There are no outstanding dues to SSI units based on the information available with the company.
6. The details of quantity of turnover as per clause 3 (ii)(c) of part II of Sch.VI of the companies Act of 1956 – Not applicable as the company has not started its operation.
7. Expenditure in Foreign currency - NIL (PY-Nil)
8. Income in Foreign Currency – NIL (PY-Nil)
9. Deferred Taxation – Not applicable as the company has not started its operation.
10. Previous year figures have been regrouped / rearranged wherever considered necessary.

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

For and on behalf of the Board

Sushil Kumar Sethi
Director

Anil Kumar Sharma
Director

LUNI POWER COMPANY PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

As at & for the period ended 31st March 2006

(Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956.)

I. REGISTRATION DETAILS

Registration No. U 4 0 1 0 1 H P 2 0 0 5 P T C 0 2 8 9 9 9 State Code No. 6

Balance Sheet Date 3 1 0 3 2 0 0 6

II. CAPITAL RAISED DURING THE YEAR (Rs. in 000's)

Public Issue NIL Rights Issue NIL

Bonus Issue NIL Private Placements NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000's)

Total Liabilities 2 1 3 8 7 Total Assets 2 1 3 8 7

SOURCES OF FUNDS

Paid up Capital 5 0 0 Reserves & Surplus NIL

Advance against Share Capital 2 0 8 8 7 Unsecured Loans 0

Secured Loans NIL

APPLICATION OF FUNDS

Net Fixed Assets 2 0 9 4 6 Investments NIL

Net Current Assets 4 2 4 Misc. Expenditure 1 8

IV. PERFORMANCE OF COMPANY (Rs. in 000's)

Turnover NIL Total Expenditure NIL

Profit before tax NIL Profit after tax NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCT OF COMPANY (As per Monetary terms)

Item No. NA

Product Description POWER GENERATION

LUNI POWER COMPANY PRIVATE LIMITED

AUDITOR'S REPORT

The Shareholders
AWA Power Company Private Limited
Himachal Pradesh

We've audited the attached Balance Sheet of M/s LUNI Power Company Private Limited, Himachal Pradesh as at 31.03.06 and also the annexed schedules for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our Audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the (Companies Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, We enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable
- Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 such books;
 - The Balance Sheet dealt with by this report is in agreement with the books of account;
 - In our opinion, the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - On the basis of written representations received from directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India, and give in the case of Balance-Sheet, of the state of affairs of the Company as at 31st March 2006.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

ANNEXURE TO AUDITOR'S REPORT

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, we report that:

- There are no fixed assets with the company as on the date of Balance sheet.
- In our opinion, no loans have been obtained from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not given any loans or advances in the nature of loans.
- 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 various purchases relating to the implementation of the project.
- There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at the last of the financial year concerned for a period of more than six months from the date of becoming payable.
- As per the information and explanations given to us since the Project is still under implementation, other clauses of paragraph 4 and Paragraph 5 of the Companies (Auditors' Report) Order, 2003, are not applicable.

For Dhamija Sukhija & Co.,
Chartered Accountants
A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

LUNI POWER COMPANY PRIVATE LIMITED

BALANCE SHEET

| | | (Amount in Rs.) | |
|---|----------|----------------------|-------------------|
| As at 31st March, | Schedule | 2006 | 2005 |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS FUND | | | |
| Share Capital | A | 500,000.00 | 500,000.00 |
| Advance against Share Capital | A | 20,887,400.00 | 365,000.00 |
| Reserves & Surplus : | | | |
| LOAN FUNDS | | | |
| Secured Loan | | 0.00 | 0.00 |
| Unsecured Loan | | | |
| TOTAL | | 21,387,400.00 | 865,000.00 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Fixed Assets | B | 0.00 | 0.00 |
| Capital Work in progress | | 5,165,443.86 | 859,002.87 |
| Supply advances | | 15,780,234.13 | 0.00 |
| INVESTMENTS | | | |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Current Assets | C | 4,989.00 | 0.00 |
| b. Loans & Advances | D | 431,247.00 | 0.00 |
| | | 436,236.00 | 0.00 |
| Less: Current Liabilities & Provisions | E | 12,344.00 | 6,220.87 |
| NET CURRENT ASSETS | | 423,892.00 | (6,220.87) |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | | | |
| Preliminary Expenditures | | 6,218.00 | 6,218.00 |
| Pre-operative Expenditure | | 11,612.00 | 17,830.00 |
| TOTAL | | 21,387,400.00 | 865,000.00 |
| NOTES ON ACCOUNTS | | | |
| | G | | |

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

For and on behalf of the Board

Sushil Kumar Sethi
Director

Anil Kumar Sharma
Director

LUNI POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | (Amount in Rs.) | |
|---|----------------------|-------------------|--|
| As at 31st March, | 2006 | 2005 | |
| SCHEDULE 'A' | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 50000 Equity shares of Rs.10/- each | 500,000.00 | 500,000.00 | |
| Issued,Subscribed & Paid up | | | |
| 50,000 (50,000) Equity shares of Rs.10/- each, fully paid | 500,000.00 | 500,000.00 | |
| Advance against Share capital | | | |
| M/s.Subhash Kabini Power Corporation Limited | 4,387,400.00 | | |
| M/s.Subhash Projects and Marketing Limited | 16,500,000.00 | 365,000.00 | |
| | 20,887,400.00 | 365,000.00 | |
| TOTAL | 21,387,400.00 | 865,000.00 | |

SCHEDULE 'B'

FIXED ASSETS

| | | 0.00 | | 0.00 | |
|--|-------------------|---------------------|-----------------|---------------------|--|
| | | As at 31.3.2005 | During the year | Upto 31.03.2006 | |
| a) Fixed Assets | | | | | |
| b) Capital Work in progress : | | | | | |
| i) Project Development Expenditures : | | | | | |
| Communication expenses | 4,957.10 | | | 4,957.10 | |
| Consultancy and Professional Charges | 193,863.75 | 496,200.00 | | 690,063.75 | |
| Employees Expenses | 226,604.60 | | | 226,604.60 | |
| Finance Charges | 142,703.80 | 7,446.00 | | 150,149.80 | |
| Labour Charges | | 91,933.00 | | 91,933.00 | |
| Miscellaneous Exps | 23,022.43 | 680.00 | | 23,702.43 | |
| Printing & Stationary | 11,769.72 | 10,503.00 | | 22,272.72 | |
| Staff welfare expenses | 9,230.80 | | | 9,230.80 | |
| Travelling Expenses | 150,389.74 | 1,642.00 | | 152,031.74 | |
| Water & Electricity | 3,845.60 | 0.00 | | 3,845.60 | |
| Office Expenses | 38,988.20 | 1,000.00 | | 39,988.20 | |
| Statutory Clearances & Rates & taxes | 20,964.00 | 264,637.00 | | 285,601.00 | |
| Rent | 31,663.13 | | | 31,663.13 | |
| Site Development Expenses | 1,000.00 | | | 1,000.00 | |
| | 859,002.87 | 874,041.00 | | 1,733,043.87 | |
| ii) Civil : | | | | | |
| Forest land diversion charges | | 3,050,000.00 | | 3,050,000.00 | |
| Forest land compensatory afforestation charges | | 382,400.00 | | 382,400.00 | |
| | 0.00 | 3,432,400.00 | | 3,432,400.00 | |
| | 859,002.87 | 4,306,441.00 | | 5,165,443.87 | |
| c) Supply Advances | | | | | |
| | | 15,780,234.13 | | 15,780,234.13 | |

LUNI POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | (Amount in Rs.) | |
|--|------------|-----------------|------|
| As at 31st March, | 2006 | 2005 | |
| SCHEDULE 'C' | | | |
| CURRENT ASSETS | | | |
| Cash in hand | | | |
| Balance with Scheduled Bank in Current account | 4,989.00 | 4,989.00 | 0.00 |
| SCHEDULE 'D' | | | |
| LOANS & ADVANCES | | | |
| (Unsecured, considered good) | | | |
| Advances & Deposit | 431,247.00 | 431,247.00 | 0.00 |

SCHEDULE 'E'

CURRENT LIABILITIES & PROVISIONS

| Current Liabilities | | | |
|------------------------|------------------|----------|----------|
| Advance received | | | |
| Sundry Creditors | 649.00 | 137.87 | |
| Creditors for Expenses | 11,695.00 | 6,083.00 | |
| Other Liabilities | - | - | 6,220.87 |
| Provisions | 12,344.00 | | |

SCHEDULE 'F'

MISCELLANEOUS EXPENDITURE

(To the extent not written or adjusted)

| | | 6,218.00 | | 6,218.00 | |
|--------------------------------------|-----------------|-----------------|-----------------|------------------|--|
| | | As at 31.3.2005 | During the year | Upto 31.03.2006 | |
| a) Preliminary Expenditures | | | | | |
| b) Pre-operative Expenditures | | | | | |
| Auditors' Remuneration : | | | | | |
| For Statutory Audit | 6,000.00 | 5,612.00 | | 11,612.00 | |
| | 6,000.00 | 5,612.00 | | 11,612.00 | |

NEOGAL POWER COMPANY PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

As at & for the period ended 31st March 2006
(Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956.)

I. REGISTRATION DETAILS

Registration No. U 4 5 2 0 2 H P 2 0 0 5 P T C 0 2 9 0 0 0 State Code No. 6
Balance Sheet Date 3 1 0 3 2 0 0 6

II. CAPITAL RAISED DURING THE YEAR (Rs. in 000's)

Public Issue NIL Rights Issue NIL
Bonus Issue NIL Private Placements NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000's)

Total Liabilities 6 1 6 9 5 Total Assets 6 1 6 9 5

SOURCES OF FUNDS

Paid up Capital 5 0 0 Reserves & Surplus NIL
Advance against Share Capital 6 1 1 9 5 Unsecured Loans 0
Secured Loans NIL

APPLICATION OF FUNDS

Net Fixed Assets 6 0 6 8 3 Investments NIL
Net Current Assets 9 9 4 Misc. Expenditure 1 8

IV. PERFORMANCE OF COMPANY (Rs. in 000's)

Turnover NIL Total Expenditure NIL
Profit before tax NIL Profit after tax NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCT OF COMPANY (As per Monetary terms)

Item No NA
Product Description POWER GENERATION

NEOGAL POWER COMPANY PRIVATE LIMITED

Board of Directors :

Mr. Anil Kumar Sethi
Mr. Sushil Kumar Sethi
Mr. B.B. Mukherjee
Mr. Anil Kumar Sharma
Mr. M. Sundaresan

Auditors :

Dhamija Sukhija & Co
Chartered Accountants
913-914, Navrang House,
K.G.Marg,
New Delhi – 110 001

Registered office :

C/o. R.K.Sood
Behind Hotel Yamini Aima,
Palampur District,
Kangra,
Himachal Pradesh

Bankers :

State Bank of India
Overseas Branch,
St. Marks Road,
Bangalore

DIRECTORS' REPORT

To
The Members

Your directors have pleasure in presenting the Fifth Annual Report and Audited statement of account of the company for the year ended 31st March 2006.

PROGRESS OF THE PROJECT & FINANCIAL RESULTS

Construction of the Project has already commenced with award of EPC contract and works on the fronts of diversion weir, de-silting chamber and Water conductor are in good progress. In respect of water conductor, the excavation is completed to 350 mtr. Stretch and all preliminary arrangements for commencing the concreting works for water conductor are in place at the project site. Diversion weir excavation on the down stream side is nearing completion and all arrangement for commencing the concreting works taken up already. Scheme drawings and construction drawings have already been finalised.

The company is expecting to sign implementation agreement for enhanced capacity of 3 x 1.5 MW with the State Government shortly. Consequently PPA for the enhanced capacity will be entered into with State Electricity Board. Final forest clearance from MOEF, Chandigarh obtained already on 20.1.06. Clearance from PCB is in place. The company has achieved financial closure with clearance of term loan sanction by Punjab National Bank.

The Registered office of the company has already been shifted from New Delhi to Himachal Pradesh as per the requirement of the agreement with the State Government.

The company had not commenced its commercial operations during the year under review as its project is under implementation stage. However, the requirements as per Schedule VI, Part III of the Companies Act have been disclosed in Project development expenditure in Schedule B forming part of the Audited Balance sheet.

DIVIDEND

Your Directors do not recommend dividend for the year under review as the company had not commenced its commercial operations.

PROSPECTS

Construction activity of the Project has already commenced and the Project is expected to be implemented in the year 2007-08.

PARTICULARS OF ENERGY CONSERVATION ETC.

As the company is in project implementation stage, the requirement to furnish in Form A & B as per the provisions of Section 217 (1) (c) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 does not arise.

PARTICULARS OF EMPLOYEES

The particulars required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the period under review are not applicable.

CORPORATE GOVERNANCE

In its Code of Corporate Governance the Company is committed to ensure long term value for all its shareholders' investment consistent with fairness to all the stakeholders and with due concern for environment and social responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereunder state that;

- In the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies as mentioned in Schedule to the Accounts 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 as on 31st March 2006.
- 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 for the year ended 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s Dhamija Sukhija & Co., Chartered Accountants, New Delhi retire at the Annual General Meeting and being eligible, offer themselves for re-appointment. Member may resolve to that end.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the whole-hearted and sincere co-operation received from the staff, Bankers and Consultants of the company.

The Directors also deeply acknowledge the trust & confidence you have placed in the company.

On Behalf of the Board

Sushil K Sethi
Director

Place : New Delhi
Date : 17th May 2006

NEOGAL POWER COMPANY PRIVATE LIMITED

AUDITOR'S REPORT

The Shareholders
AWA Power Company Private Limited
Himachal Pradesh

We've audited the attached Balance Sheet of M/s **NEOGAL Power Company Private Limited, Himachal Pradesh** as at 31.03.06 and also the annexed schedules for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our Audit.

- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the (Companies Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, We enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable
- Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 such books;
 - The Balance Sheet dealt with by this report is in agreement with the books of account;
 - In our opinion, the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - On the basis of written representations received from directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read together with schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India, and give in the case of Balance-Sheet, of the state of affairs of the Company as at 31st March 2006.

For Dhamija Sukhija & Co.,
Chartered Accountants

A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

ANNEXURE TO AUDITOR'S REPORT

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956, we report that:

- There are no fixed assets with the company as on the date of Balance sheet.
- In our opinion, no loans have been obtained from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable
- The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of sub-section (1B) dealing with companies under the same management are no longer applicable.
- The company has not given any loans or advances in the nature of loans.
- 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 various purchases relating to the implementation of the project.
- There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at the last of the financial year concerned for a period of more than six months from the date of becoming payable.
- As per the information and explanations given to us since the Project is still under implementation, other clauses of paragraph 4 and Paragraph 5 of the Companies (Auditors' Report) Order, 2003, are not applicable.

For Dhamija Sukhija & Co.,
Chartered Accountants

A.K.Dhamija
Partner

Place : New Delhi
Date : 17th May 2006

NEOGAL POWER COMPANY PRIVATE LIMITED

BALANCE SHEET

| | | (Amount in Rs.) | |
|---|----------|----------------------|-------------------|
| As at 31st March, | Schedule | 2006 | 2005 |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS FUND | | | |
| Share Capital | A | 500,000.00 | 500,000.00 |
| Advance against Share Capital | A | 61,195,000.00 | 350,000.00 |
| Reserves & Surplus: | | | |
| LOAN FUNDS | | | |
| Secured Loan | | 0.00 | 0.00 |
| Unsecured Loan | | | |
| TOTAL | | 61,695,000.00 | 850,000.00 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Fixed Assets | B | 0.00 | 0.00 |
| Capital Work in progress | | 4,818,388.12 | 845,795.12 |
| Supply advances | | 55,864,813.88 | 0.00 |
| INVESTMENTS | | | |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Current Assets | C | 70,888.00 | 0.00 |
| Loans & Advances | D | 1,127,245.00 | 0.00 |
| | | 1,198,133.00 | 0.00 |
| Less: Current Liabilities & Provisions | E | 204,165.00 | 8,013.12 |
| NET CURRENT ASSETS | | 993,968.00 | (8,013.12) |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | F | | |
| Preliminary Expenditures | | 6,218.00 | 6,218.00 |
| Pre-operative Expenditure | | 11,612.00 | 12,218.00 |
| TOTAL | | 61,695,000.00 | 850,000.00 |
| NOTES ON ACCOUNTS | G | | |

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija

Partner

Place : New Delhi

Date : 17th May 2006

Sushil Kumar Sethi

Director

For and on behalf of the Board

Anil Kumar Sharma

Director

NEOGAL POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | (Amount in Rs.) | |
|---|---------------|----------------------|-------------------|
| As at 31st March, | | 2006 | 2005 |
| SCHEDULE 'A' | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 50000 Equity shares of Rs.10/- each | | 500,000.00 | 500,000.00 |
| Issued,Subscribed & Paid up | | | |
| 50,000 (50,000) Equity shares of Rs.10/- each, fully paid | | 500,000.00 | 500,000.00 |
| Advance against Share capital | | | |
| M/s.Subhash Kabini Power Corporation Limited | 44,195,000.00 | | |
| M/s.Subhash Projects and Marketing Limited | 17,000,000.00 | | 350,000.00 |
| | | 61,195,000.00 | 350,000.00 |
| TOTAL | | 61,695,000.00 | 850,000.00 |

SCHEDULE 'B'**FIXED ASSETS****a) Fixed Assets****0.00****0.00****b) Capital Work in progress :**

| | As at 31.3.2005 | During the year | Upto 31.03.2006 |
|--|-------------------|---------------------|---------------------|
| i) Project Development Expenditures : | | | |
| Communication expenses | 4,957.10 | | 4,957.10 |
| Consultancy and Professional Charges | 106,602.25 | 536,035.00 | 642,637.25 |
| Employees Expenses | 217,883.60 | 420,782.00 | 638,665.60 |
| Finance Charges | 142,703.80 | 16,370.00 | 159,073.80 |
| Labour Charges | 5,445.00 | 143,176.00 | 148,621.00 |
| Miscellaneous Exps | 25,924.68 | 90.00 | 26,014.68 |
| Printing & Stationary | 11,769.72 | 2,875.50 | 14,645.22 |
| Staff welfare expenses | 7,998.80 | 252.00 | 8,250.80 |
| Travelling & Conveyance Expenses | 146,997.74 | 16,984.50 | 163,982.24 |
| Water & Electricity | 3,845.60 | | 3,845.60 |
| Office Expenses | 33,348.20 | 3,551.00 | 36,899.20 |
| Statutory Clearances & Rates & taxes | 20,964.00 | 171,416.00 | 192,380.00 |
| Rent | 31,663.13 | 2,500.00 | 34,163.13 |
| Site Development expenses | 1,000.00 | 2,718.00 | 3,718.00 |
| Survey Expenses | 84,691.50 | | 84,691.50 |
| | 845,795.12 | 1,316,750.00 | 2,162,545.12 |
| ii) Civil : | | | |
| Forest land diversion charges | | 1,928,036.00 | 1,928,036.00 |
| Forest land compensatory afforestation charges | | 727,807.00 | 727,807.00 |
| | 0.00 | 2,655,843.00 | 2,655,843.00 |
| | 845,795.12 | 3,972,593.00 | 4,818,388.12 |
| c) Supply Advances | | 55,864,813.88 | 55,864,813.88 |

NEOGAL POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | (Amount in Rs.) | |
|--|-----------------|-----------------|-----------------|
| As at 31st March, | | 2006 | 2005 |
| SCHEDULE 'C' | | | |
| CURRENT ASSETS | | | |
| Cash in hand | | | |
| Balance with Scheduled Bank in Current account | 70,888.00 | 70,888.00 | 0.00 |
| SCHEDULE 'D' | | | |
| LOANS & ADVANCES | | | |
| (Unsecured, considered good) | | | |
| Advances & Deposit | 1,127,245.00 | 1,127,245.00 | 0.00 |
| SCHEDULE 'E' | | | |
| CURRENT LIABILITIES & PROVISIONS | | | |
| Current Liabilities | | | |
| Advance received | | | |
| Sundry Creditors | 30.00 | | 1,930.12 |
| Creditors for Expenses | 199,855.00 | | 6,083.00 |
| Other Liabilities | 4,280.00 | 204,165.00 | 8,013.12 |
| Provisions | | | |
| SCHEDULE 'F' | | | |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written or adjusted) | | | |
| a) Preliminary Expenditures | | 6,218.00 | 6,218.00 |
| b) Pre-operative Expenditures | | | |
| | As at 31.3.2005 | During the year | Upto 31.03.2006 |
| Auditors' Remuneration : | | | |
| For Statutory Audit | 6,000.00 | 5,612.00 | 11,612.00 |
| | 6,000.00 | 5,612.00 | 11,612.00 |

NEOGAL POWER COMPANY PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'G'

Schedule of Accounting Policies and Notes attached to and forming part of the Company's Statement of Accounts as at and for the year ended 31st March 2006

A. SIGNIFICANT ACCOUNTING POLICIES :

i. Basis of Accounting

Accounts are prepared on accrual basis under Historical Cost Conventions and on the Accounting principle of Going Concern concept.

ii. Fixed Assets and Depreciation

There are no fixed assets as on the date of Balance sheet.

Project development expenditure pending allocation to various asset accounts will be capitalized on commencement of commercial production or operation.

iii. Miscellaneous Expenditure

The expenditure relating to pre-operative & preliminary expenditures will be written off over a period of 5 years commencing from the year of commercial operation.

iv. Taxation

Accounting for taxes on income in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India does not arise, as the company has not commenced its commercial operation during the year.

ix. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. Claims against Company not acknowledged as debt - NIL (PY-Nil)
2. Contingent liability not provided for - NIL (PY-Nil)
3. Estimated Amount of contracts remaining to be executed on capital accounts and not provided for is Rs.2159 lakhs (PY-Nil)
4. Balances in Advance/Deposits and Sundry Creditors are subject to confirmation.
5. There are no outstanding dues to SSI units based on the information available with the company.
6. The details of quantity of turnover as per clause 3 (ii)(c) of part II of Sch.VI of the companies Act of 1956 – Not applicable as the company has not started its operation.
7. Expenditure in Foreign currency - NIL (PY-Nil)
8. Income in Foreign Currency – NIL (PY-Nil)
9. Deferred Taxation – Not applicable as the company has not started its operation.
10. Previous year figures have been regrouped / rearranged wherever considered necessary.

As per our attached Report of even date

For Dhamija Sukhija & Co.

Chartered Accountants

A. K. Dhamija
Partner

Sushil Kumar Sethi
Director

Anil Kumar Sharma
Director

Place : New Delhi
Date : 17th May 2006

For and on behalf of the Board