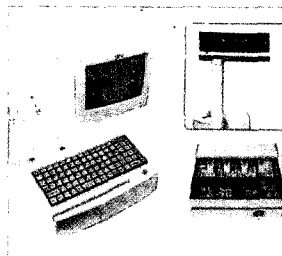
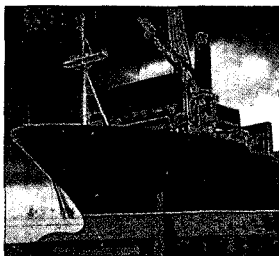
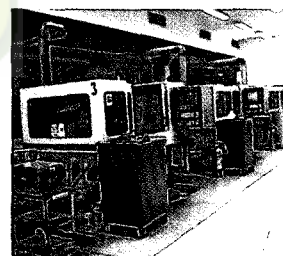
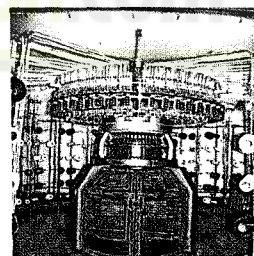


FORBES GOKAK LTD.

Since 1767, A Tradition of Excellence

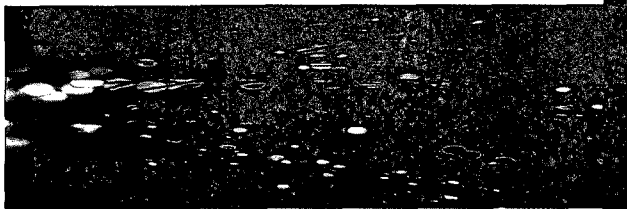


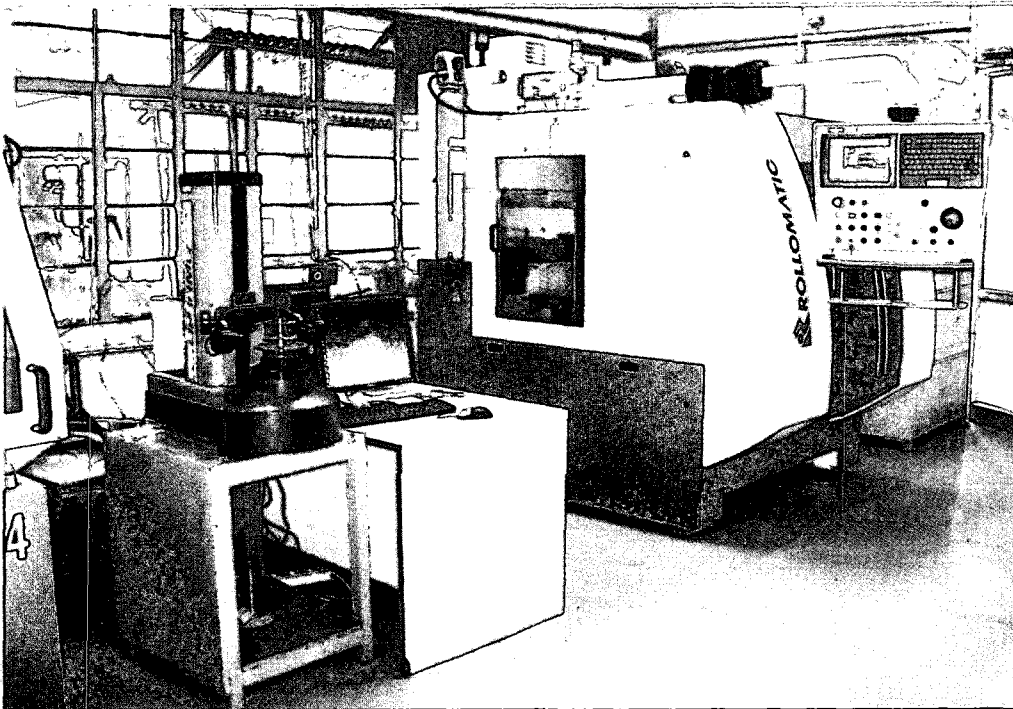
Report



FORBES GROUP

**88th ANNUAL REPORT
2006 - 2007**





CNC Machine For Solid Carbide Tools

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CNC Machine For Custom Tools



DIRECTORS:	PALLONJI S. MISTRY	<i>Chairman-Emeritus</i>
	SHAPOOR P. MISTRY	<i>Chairman</i>
	K. C. MEHRA	<i>Deputy Chairman & Managing Director</i>
	D. B. ENGINEER	
	D. S. SOMAN	
	C. G. SHAH	<i>Executive Director (Finance)</i>
	R. N. JHA	
	CYRUS P. MISTRY	
	N. D. KHURODY	
	S. L. GOKLANEY	

SECRETARY:	A. T. SHAH	<i>Company Secretary</i>
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MANAGEMENT:	K. C. MEHRA	<i>Deputy Chairman & Managing Director</i>
	C. G. SHAH	<i>Executive Director (Finance)</i>
	ASHOK BARAT	<i>Chief Operating Officer</i>
	C. A. KARNIK	<i>Director (Human Resources)</i>
	H. S. BHASKAR*	<i>Director- (Textiles)</i>
	G. MUKHERJI	<i>Director (Precision Tools)</i>
	CAPT. S. P. RAO	<i>Director (Shipping)</i>
	K. C. RAMAN	<i>Regional Director (Shipping-South & East)</i>
	R. T. DOSHI	<i>Vice President (Finance & Accounts)</i>

* Appointed the Executive Director and CEO of GOKAK TEXTILES LIMITED with effect from 31st July, 2007

AUDITORS:	Messrs. S.B.BILLIMORIA & CO.
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SOLICITORS AND ADVOCATES:	Messrs. CRAWFORD BAYLEY & CO Messrs. UDWADIA & UDESHI (REGD.)
--------------------------------------	--

BANKERS:	PUNJAB NATIONAL BANK
	STANDARD CHARTERED BANK
	UNION BANK OF INDIA
	INDUSTRIAL DEVELOPMENT BANK OF INDIA LIMITED
	STATE BANK OF INDIA
	THE FEDERAL BANK LIMITED
	AXIS BANK LIMITED



**REGISTRARS AND SHARE
TRANSFER AGENTS:**

TSR DARASHAW LIMITED
UNIT: FORBES GOKAK LIMITED,
6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE,
20, DR.E.MOSES ROAD, MAHALAXMI,
MUMBAI - 400 011.

MILLS * :

GOKAK FALLS- 591 308 (District Belgaum -Karnataka)

FACTORIES:

AURANGABAD

- | | |
|-----------------------|---------------------------------------|
| 1. A-7, M.I.D.C. AREA | 2. PLOT B - 13, WALUJ INDUSTRIAL AREA |
| CHIKALTHANA - 431 210 | WALUJ - 431 133 |

BELGAUM *

BAGALKOT ROAD,
VILLAGE MARIHAL
DIST. BELGAUM,
KARNATAKA - 591 167

BHOWALI

VILLAGE LEWESHAL,
SATTAL ROAD, P.O. MEHRAGAON
BHOWALI -263 132 NAINITAL DIST.
UTTARANCHAL STATE

CHENNAI

No. 40, ANNA NEDUNCHALAI,
PERUNGUDI, CHENNAI - 600 096
TAMIL NADU

HOSUR

PLOT No. 52,
SIPCOT INDUSTRIAL COMPLEX,
HOSUR - 635 126, KRISHNAGIRI DIST.
TAMILNADU

MUMBAI

- | | |
|-----------------------|---------------------------------|
| 1. CHANDIVALI ESTATE, | 2. PLOT No. C - 17, ROAD No.16, |
| SAKI POWAI ROAD, | WAGLE INDUSTRIAL ESTATE, |
| MUMBAI - 400 072 | THANE - 400 604 |

REGISTERED OFFICE:

FORBES BUILDING,
CHARANJIT RAI MARG,
FORT, MUMBAI 400 001

* Under the Demerger Scheme it forms part of GOKAK TEXTILES LIMITED with effect from 1st April, 2007

EIGHTY-EIGHTH ANNUAL REPORT 2006-2007

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Annual General Meeting will be held on Friday, 28th September, 2007 at 4.00 P.M. at
 "Centrum", 1st Floor, World Trade Centre Complex, Centre 1 Building, Cuffe Parade,
 Mumbai 400 005.



NOTICE

NOTICE is hereby given that the EIGHTY-EIGHTH ANNUAL GENERAL MEETING of the shareholders of FORBES GOKAK LIMITED, will be held at 'Centrum', 1st floor, World Trade Centre Complex, Centre 1 Building., Cuffe Parade, Mumbai 400005 on Friday, 28th September, 2007 at 4.00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2007 and the Audited Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. D. S. Soman, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. R. N. Jha, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. N. D. Khurody, who retires by rotation and is eligible for re-appointment.
6. To appoint Messrs. S. B. Billimoria & Co., Chartered Accountants, as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
 "RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Mumbai be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company's Forbes Bradma Automation Division, situate at Mumbai and Thane and to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
 "RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Fraser & Ross, Chartered Accountants, Chennai, be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company's Forbes Energy Systems Division, situate at Chennai, Hosur and Bhimtal and to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company."
9. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
 "RESOLVED that, pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to create an exclusive first charge (a) by way of mortgage of the land admeasuring 25 acres situate at Mundra, leased to the Company by Gujarat Adani Port Limited, together with building constructed/to be constructed thereon; (b) by way of mortgage of the Company's land admeasuring 15 acres situate at Veshvi, near Jawaharlal Nehru Port Trust and (c) by way of hypothecation of all of the Company's fixed assets and equipment acquired and to be acquired for the Container Freight Station Project in Mundra and Veshvi and by way of security for the due repayment by the Company of the term loan of Rs.7,50,00,000 granted/to be granted to it by The Federal Bank Limited, together with the payment of interest thereon at the respective agreed rates, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the said Bank, in terms of the Letter(s) of Sanction / Loan Agreement(s) entered into / to be entered into between the said Bank and the Company.
 RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid Bank, all necessary documents for creating the aforesaid mortgage and/ or hypothecation and to do all other acts, deeds, matters and things and to execute all such documents and writings as it may deem necessary, usual, requisite or proper for the purpose of giving effect to the aforesaid Resolution."
10. To consider and, if thought fit, to pass, with or without modification, the following resolution, as a Special Resolution:
 "RESOLVED that effective from the date, the approval of the Central Government is received pursuant to the provisions of Section 21 of the Companies Act, 1956, the name of the Company be changed to "Forbes & Company Limited" or such other name as may be approved by the Central Government and accepted by the Board of Directors of the Company."

For and on behalf of the
 Board of Directors
SHAPOOR P. MISTRY
Chairman

Mumbai, 21st August, 2007.

Registered Office:
 Forbes Building,
 Charanjit Rai Marg,
 Mumbai 400 001

NOTES:

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A SHAREHOLDER. FORMS FOR APPOINTMENT OF PROXIES, IN ORDER TO BE EFFECTIVE MUST BE DULY FILLED, STAMPED, SIGNED AND SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THIS ANNUAL GENERAL MEETING. FORMS FOR APPOINTMENT OF PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC., MUST BE SUPPORTED BY APPROPRIATE RESOLUTION / AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE APPOINTING ORGANISATION.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 ("the Act") in respect of special businesses at items 9 and 10 of this Notice set out above is annexed hereto.
3. Pursuant to the exemption granted by the Central Government under Section 212(8) of the Act, the annual accounts of the subsidiary companies of the Company and related information will not be sent with the Company's accounts for the year ended 31st March, 2007. The annual accounts of the subsidiary companies of the Company will be made available to the shareholders seeking such information as and when such request is received by the Company. Such information is also available for inspection by any shareholder at the Registered Office of the Company and of the respective subsidiary companies of the Company .
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 18th September, 2007 to Friday, 28th September, 2007 (both days inclusive).
5. The dividend, when declared, will be payable on and after Monday, 1st October, 2007 to those shareholders whose names appear on the Register of Members on 28th September, 2007. In respect of shares held in dematerialised form in the depository system, the dividend will be paid to those shareholders whose names appear as Beneficial Owner(s) as per the list provided by the depositories.
6. Shareholders are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address and/or bank account details to ensure correct and prompt receipt of the dividend warrants.
7. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL COMMUNICATIONS TO THE COMPANY OR ITS REGISTRARS AND SHARE TRANSFER AGENTS, WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THEIR LEDGER FOLIO, SHOULD BE SIGNED BY ALL THE SHAREHOLDERS REGISTERED UNDER THAT LEDGER FOLIO.
8. Please check whether you have encashed dividend warrants for earlier years. If the dividend warrants are lost or have become time-barred, please apply to the Company or its Registrars and Share Transfer Agents for duplicate / revalidated dividend warrants. Advice is also being sent in this behalf, to the concerned shareholders, individually.

Dividend for the year ended	FORBES GOKAK LIMITED		erstwhile-FAL INDUSTRIES LIMITED		Date on which unpaid amount is required to be paid to the Central Govt.	Shareholders should apply latest by
	Rate of Dividend	Dividend Warrant dated	Rate of Dividend	Dividend Warrant Dated		
31 st March, 2001	30%	31.07.2001	10%	14.09.2001	25.08.2008	24.07.2008
31 st March, 2002	20%	28.08.2002	10%	30.07.2002	30.08.2009	29.07.2009
31 st March, 2003	25%	29.08.2003	10%	04.08.2003	31.08.2010	30.07.2010
31 st March, 2004	40%	07.07.2004	10%	31.07.2004	31.08.2011	30.07.2011
31 st March, 2005	50%	26.08.2005	10%	30.08.2005	28.09.2012	27.08.2012
31 st March, 2006	50%	15.09.2006	-	-	16.10.2013	05.09.2013

9. Pursuant to Section 205A of the Act, all unclaimed / unpaid Dividends upto the Financial Year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed their Dividends for the said periods may claim the same by submitting an application in Form No. II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, to the Registrar of Companies, Maharashtra, Mumbai.



10. Pursuant to Section 205A of the Act read with Section 205C of the Act, unclaimed / unpaid dividends for the Financial Year ended 31st March, 2000 have been transferred to the Investor Education and Protection Fund. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount.
11. Please address all communications including lodging of Transfer Deeds to -

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Ltd.,
 UNIT: Forbes Gokak Ltd.
 6-10, Haji Moosa Patrawala Industrial Estate,
 20, Dr. E. Moses Road,
 Mahalaxmi,
 Mumbai 400 011
 Tel.: 91 22 66568484
 Fax: 91 22 66568494
 Business Hours: 10.00 a.m. to 4.30 p.m. (Monday to Friday)
 Email: csg-unit@tsrdarashaw.com

Branch Offices

- | | |
|---|--|
| <p>1. TSR Darashaw Ltd.
 503, Barton Centre, 5th floor,
 84, Mahatma Gandhi Road,
 Bangalore 560 001
 Tel.:080 25580019
 Fax:080 25320321
 Email:tsrdlbg@tsrdarashaw.com</p> | <p>3. TSR Darashaw Ltd.
 Bungalow No.1, "E" Road,
 Northern Town, Bistupur,
 Jamshedpur 831 001
 Tel.:0657 2426616
 Fax:0657 2426937
 Email:tsrdljsr@tsrdarashaw.com</p> |
| <p>2. TSR Darashaw Ltd.
 Tata Cente, 1st floor,
 43, Chowringhee Road,
 Kolkata 700 071
 Tel.:033 22883087
 Fax:033 22883062
 Email:tsrdlcal@tsrdarashaw.com</p> | <p>4. TSR Darashaw Ltd.
 Plot No.2/42, Sant Vihar,
 Ansari Road, Daryaganj,
 New Delhi 110 002
 Tel.:011 23271805
 Fax:011 23271802
 Email:tsrdldel@tsrdarashaw.com</p> |

Agent

Shah Consultancy Services Ltd.
 Sumatinath Complex, 2nd Dhal,
 Pritam Nagar, Ellisbridge,
 Ahmedabad 380 006
 Telefax: 079 26576038
 Email : shahconsultancy@hotmail.com

Investors, if they so prefer, can send transfer request, correspondence and queries to the Company at the following address -

Company Secretary
 Forbes Gokak Ltd.
 Forbes Building, Charanjit Rai Marg,
 Fort, Mumbai 400001
 Telephone: 022 22002275
 Email. atshah@forbes.co.in

Kindly quote your Ledger Folio No.

12. As required under clause 49(IV)(G)(i) of the Listing Agreement of the stock exchanges, the relevant details of persons seeking appointment / reappointment as directors are furnished herewith.

ANNEXURE TO NOTICE

1. Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item 9:

Due to the enhancement in the scope of Container Freight Station Project at Mundra and Veshvi the project cost has gone up by nearly Rs.8.50 crores. To finance this, the Company has requested The Federal Bank Limited for an additional loan of Rs.7.50 crores. The repayment of the aforesaid loan by the Company to The Federal Bank Limited is proposed to be secured in the manner set out in the text of the special resolution at Item 9.

The resolution at Item 9 is considered necessary in view of the provisions of Section 293(1)(a) of the Companies Act, 1956.

Details of Loan and the Lender	Security
Rupee Term Loan of Rs.7.50 crores from The Federal Bank Ltd.	Exclusive first charge— a) By way of mortgage of lease hold rights on 25 acres of land leased to the Company by Gujarat Adani Port Ltd. with building constructed/to be constructed thereon. b) On 15 acres of land at Veshvi, near JNPT, Mumbai in the name of the Company with buildings. c) Hypothecation of all other equipments and fixed assets acquired and to be acquired for the project.

Item 10:

The present name of the Company is Forbes Gokak Limited. The business of the Company included, inter alia, manufacture of cotton yarn at Gokak Falls, District Belgaum, commonly known as the Gokak Mills Division of the Company and referred to as 'Gokak'. Pursuant to the Scheme of Demerger approved by the shareholders of the Company and sanctioned by the High Court, Bombay and High Court of Karnataka at Bangalore, the yarn manufacturing activity has been placed into a separate company, which is now known as "GOKAK TEXTILES LIMITED".

In view of the above, since the activities referred to as "Gokak" have ceased to be a part of the activities of the Company, we wish to omit the word "Gokak" from our name and instead use the name "Forbes & Company Limited".

Section 21 of the Act provides that a company may, by special resolution and with the approval of the Central Government signified in writing, change its name. Hence the Resolution at Item 10 of the Notice.

2. Information required to be furnished under Clause 49 (IV) (G) (i) of the Listing Agreement.

As required pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement, the particulars of Directors, who are proposed to be re-appointed at this Annual General Meeting, are furnished below: :

Name of Director	Mr.D.S.Soman	Mr.R.N.Jha	Mr.N.D.Khurody
Date of Birth	8 th May, 1930	2 nd July, 1939	29 th October, 1936
Date of first Appointment	28 th September, 1992	6 th July, 2004	17 th March, 2004
Qualification	IPS (Retired)	B.A. (Hons.)	M.A (Economics)-Cambridge University
Expertise in specific functional areas	Mr.D.S.Soman retired as Director General of Police	Mr.Jha retired as Executive Director of LIC. His expertise includes funds management and resource mobilization, general management, formulation and implementation of compensation packages and development and administration of properties.	Mr. N. D. Khurody retired as Managing Director of Voltas Limited. He has wide and varied experience in formulation and implementation of business plans, risk evaluation, business investment strategy and funds management. He is also experienced in formulation and implementation of compensation packages.
List of Companies in which Directorship held as on 31 st March, 2007	<u>PUBLIC COMPANIES</u> Ruby Mills Ltd.	<u>PUBLIC COMPANIES</u> Next Gen Publishing Ltd.	<u>PUBLIC COMPANIES</u> Afcons Infrastructure Ltd. Eureka Forbes Ltd. Forbes Infotainment Ltd. Next Gen Publishing Ltd. Samrat Holdings Ltd. Tata Ceramics Ltd. Vantech Investments Ltd. Voltas Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> Ruby Mills Ltd. Forbes Gokak Ltd. 2. <u>Share Transfer and Investor Relations Committee</u> Ruby Mills Ltd. Forbes Gokak Ltd.	<u>Audit Committee</u> Forbes Gokak Ltd.	<u>Audit Committee</u> Afcons Infrastructure Ltd. Eureka Forbes Ltd. Forbes Infotainment Ltd.
No. of shares held	Nil	Nil	Nil

For and on behalf of the
Board of Directors
SHAPOOR P. MISTRY
Chairman

Mumbai, 21st August, 2007.
Registered Office:
Forbes Building,
Charanjit Rai Marg, Mumbai 400 001



DIRECTORS' REPORT

To,
The Shareholders,
Ladies and Gentlemen,

Your Directors submit their Report and the Audited Accounts of the Company for the year ended 31st March, 2007.

1. FINANCIAL RESULTS:

The results for the current year and those for the previous year are set out in this paragraph.

	(Rs. in Crores)
	For the year ended 31 st March, 2007
	For the year ended 31 st March, 2006
01. Sales, Services and Other Income	654.18
02. Less: Expenditure	610.59
03. Profit after Interest and before Depreciation	43.59
04. Less: Depreciation	27.10
05. Profit after Depreciation	16.49
06. Less: Provision for Doubtful Loans and Advances and for diminution in value of Investments	0.39
07. Profit before prior period items	16.10
08. (Add) / Less : Prior period items (net)	(0.09)
09. Profit before taxation and Exceptional items	16.19
10. Less : Exceptional items	3.32
11. Profit before taxation	12.87
12. Less : Deferred tax Liability/Provision for Taxation (net)	3.75
13. Profit after Taxation	9.12
14. Add: Balance brought forward	33.93
15. Total amount available for Appropriation	43.05
16. Less: Appropriations:	
(a) Proposed Dividend	4.51
(b) Tax on Dividend Distribution	0.77
(c) General Reserve	22.00
(d) Sub Total	27.28
17. Balance Carried to Balance Sheet	15.77

In addition, upon the sale of the properties of the Company at Chennai and Vadodara, an amount of Rs.65.29 crores representing revaluation component, has been transferred from Revaluation Reserve to General Reserve.

Provision required for bad and doubtful debts, a chartering loss of Rs.14.54 crores, including a higher depreciation charge by Rs. 3.59 crores and adverse impact of the continuous and substantial adverse US\$ / Rupee rate have affected results for the year. But for these, the results would have been comparable to those of the previous year.

Segmentwise details of the operating performance are given in subsequent paragraphs.

2. DEMERGER:

Shareholders of the Company, at their meeting held on 20th March, 2007 have approved the demerger of the Textiles Undertaking i.e. Yarn business (the manufacturing unit of which is located at Gokak Falls, Dist. Belgaum, Karnataka State) and the Knitwear business (the manufacturing unit of which is located at Marihal, Dist. Belgaum, Karnataka State) into a separate company namely