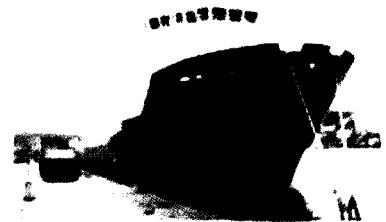


Twenty-ninth Annual Report 2006

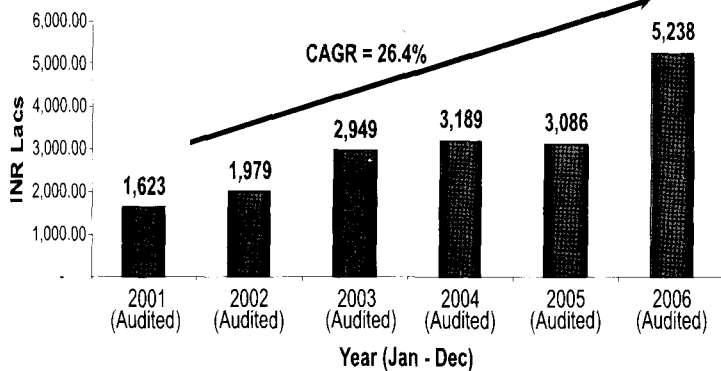


GARWARE
OFFSHORE
SERVICES
LIMITED

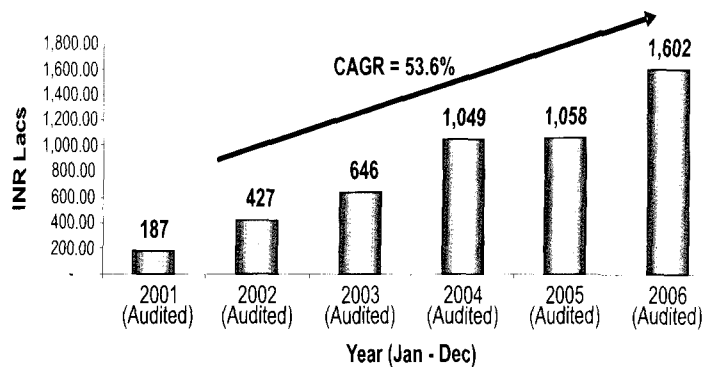


FINANCIAL PERFORMANCE INDICATORS

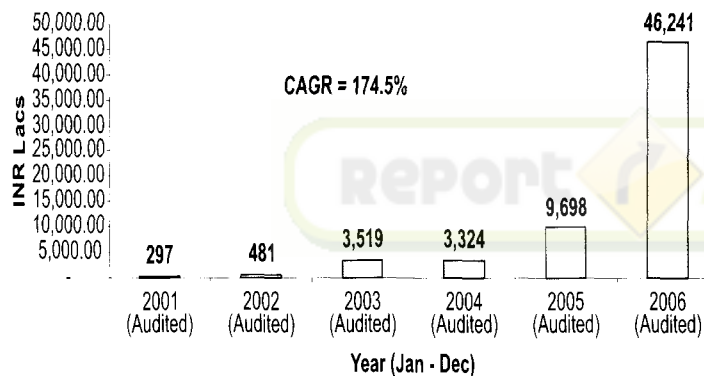
Income from Operations



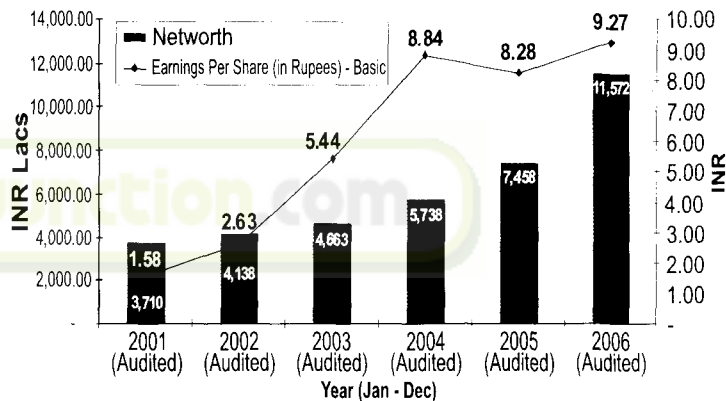
Profit After Tax



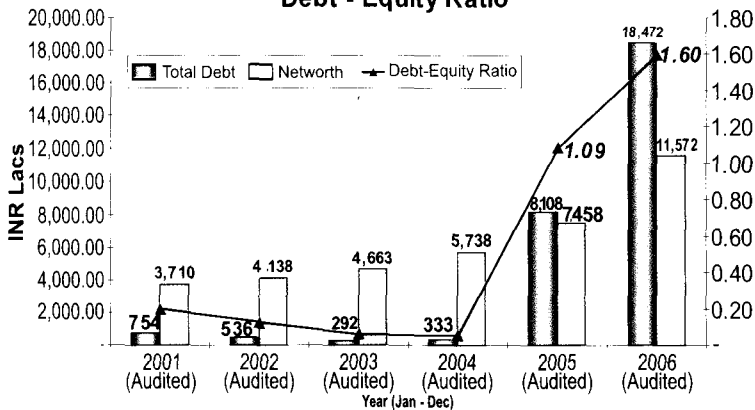
Market Capitalisation



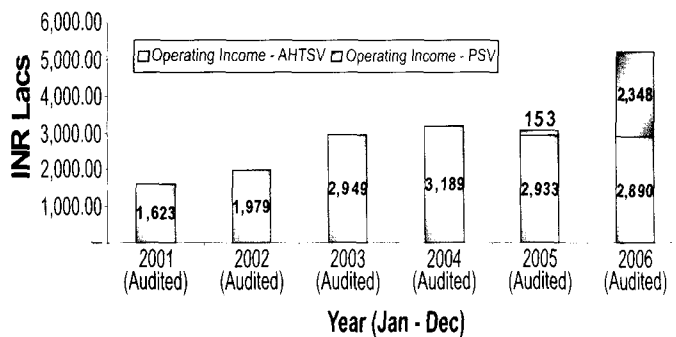
Networth & EPS (Basic)



Debt - Equity Ratio



Revenue from Fleet



GARWARE OFFSHORE SERVICES LIMITED

(Formerly Garware Shipping Corporation Limited)

FOUNDER: THE LATE PADMA BHUSHAN – DR. B. D. GARWARE

BOARD OF DIRECTORS	<p>ASHOK GARWARE –M.A.(Cantab) (Chairman)</p> <p>ADITYA GARWARE– M.B.A. (Vice chairman & Managing Director)</p> <p>MANEESHA SHAH (nee GARWARE) – L.L.B.</p> <p>SHAMSUNDER AGGARWAL – B.Sc. (New York University)</p> <p>DR. B. S. COOPER B.E .(Mechanical & Electrical), Ph. d. (Engineering) London</p> <p>A. K. THANAVALA – B.Com.(Hons), L.L.B., A.C.S.</p> <p>J. C. CHOPRA – M.A. (Additional Director w.e.f. 22.11.06)</p> <p>DILIP. J. THAKKAR – C. A. (Additional Director w.e.f. 20.12.06)</p>
COMPANY SECRETARY & PRESIDENT - Legal & Admin.	C. V. RAMACHANDRAN B.Com., L.L.B., F.C.S., D.T.M., DIP.A.
CHIEF OPERATING OFFICER	BISWAJIT GUHA – B. Tech., M.B.A.
PRESIDENT - TECHNICAL	R. D. PUNWANI – First Class Engineer (Motor)
PRESIDENT - COMMERCIAL	K. S. DAVE – B.Com. L.L.B.
PRESIDENT - FINANCE	S. P. AKOLKAR – M.M.S. (Finance)
VICE PRESIDENT (HSSE)	CAPT. S. SARKANGO - Master Mariner
GENERAL MANAGER - FINANCE & ACCOUNTS	P. S. SHAH – B. Com.
BANKERS	ICICI Bank (UK) Ltd ICICI Bank Ltd State Bank of Hyderabad State Bank of India State Bank of Travancore United Bank of India
AUDITORS	M/S. RAMAN S. SHAH & ASSOCIATES (Chartered Accountants)
ADVOCATES & SOLICITORS	SHAUNAK SATPUTE & CO.
REGISTERED OFFICE	Chander Mukhi, Nariman Point Mumbai – 400 021
BRANCHES	Goa, Pondicherry, Chennai.
REGISTRAR AND SHARE TRANSFER AGENT	BIGSHARE SERVICES PVT. LTD. E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.



Management Discussion

Industry Structure and Development of the Oil & Gas Sector in India

Oil exploration in India began in dense jungles of Assam. Oil was struck at Makum near Margherita in Assam in 1867 just nine years after the historical Drake well in Pennsylvania in 1859. First commercial oil was discovered in Digboi in 1889. However, exploration and production started in a systematic way in 1899 after the Assam Oil Company (AOC) was formed. In 1921, UK based Burmah Oil Company (BOC), with a successful oil exploration record in Burma and Surma valley, bought all the shares of AOC.

The first offshore venture of India was made by ONGC in 1962, in the Gulf of Cambay. Offshore drilling was once again taken up by ONGC with own resources and help from the former Soviet Union in the shallow waters at Aliabet in 1970. Since then, till date, the offshore blocks awarded under various NELP rounds are as under –

NELP Rounds	Offshore		Total Offshore
	Deep Water	Shallow Water	
NELP I	7	13	20
NELP II	7	7	14
NELP III	9	6	15
NELP IV	10		10
NELP V	6	2	8
NELP VI	21	6	27
Total	60	34	94

Increased exploration activities in recent years have resulted in more discoveries. According to the Director General of Hydrocarbons, there were 9 discoveries in 2000-01, 10 in 2001-02, 16 in 2002-03, 12 in 2003-04 and 27 in 2004-05.

These discoveries have put India on world's E&P. Total prognosticated resources of the country have been estimated at about 28 BTOE, out of which, about 8.6 billion tonnes of in-place oil and gas reserves have been established.

In addition, the Government of India is now planning to announce the 7th and 8th round of NELP.

The Petroleum sector of India enjoys a pre-eminent position in global petroleum industry in view of the country's following unique attributes –

- Growth at a pace of 8% GDP.
- Fifth largest energy consumer.
- Sixth largest crude oil importer.
- Sixth largest consumer of crude oil.
- Fifth largest producer of petroleum products.
- India's Oil and Gas Consumption is increasing at an annual rate of growth which is more than three times the World average for last 10 years.
- India's Oil and Gas demand is projected to increase at an annual rate of growth which will be more than three times the World average for next 25 years.
- India has large technological competencies and industrial infrastructure for onshore, offshore and deep offshore exploration and production of petroleum.

Offshore Services to benefit from exploration & production activities

Economic growth coupled with a focus on intensive oil exploration and production activities have created an optimistic scenario for support services.

Garware Offshore Services Limited

(Formerly Garware Shipping Corporation Limited)

Presently, India depends on imports of Oil & Gas for around 75% of its requirements. Hence, the drive to increase domestic production will be high. This in turn is expected to cause a jump in exploration and production (E&P) activities in India as the country is one of the least explored regions in oil and gas.

The New Exploration and Licensing Policy (NELP) permits the private sector to take part in E&P activity and work alongside national oil companies, towards the oil sufficiency of the country. Even global players like Cairn Energy, Niko Resources and British Gas Exploration & Production India have notched up huge successes in the fields across India. The price of crude oil is expected to remain strong and so these companies are busy expanding operations and forging alliances with global players.

And with this buoyancy comes in exciting times for the Offshore Services companies that support these activities by providing logistical support, ports and terminals services, drilling and diving services, construction and hiring of rigs.

This demand for offshore support units, rigs and construction barges is expected to continue in the near future, which will in turn ensure optimum utilisation of companies' expanded fleet and steady improvement in day-rates for chartering vessels to E&P companies.

We are therefore looking at fleet expansion by adding new and technologically advanced vessels.

Source: DGH, DGS, MoPNG and Petrotech.

Overview of Financials

The Company had a strong performance for CY 2006. The Income from Operations was up by 69.7% compared to CY 05. The Total Income was up by 64.2%. The Earnings Before Interest Depreciation and Tax was up by 98.6% and the Profit After Tax was up by 51.4%. The growth can be mainly attributed to full years' contribution by the Platform Supply Vessel (PSV) M. V. Everest acquired in December'05 to the top line as well as the bottom line.

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NOTICE

Notice is hereby given that the Twenty-ninth Annual General Meeting of the Members of Garware Offshore Services Ltd. will be held at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai – 400 034, on Friday, 11th May, 2007 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2006 and Profit and Loss Account for the year ended as on that date together with Directors' and Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. Shamsunder Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. J. C. Chopra who was appointed as an Additional Director of the Company and holds Office till the date of the ensuing Annual General Meeting and in respect of whom the Company has received a Notice from a Shareholder under Section 257 of the Companies Act, 1956 proposing his candidature for the Office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Dilip J. Thakkar who was appointed as an Additional Director of the Company and holds Office till the date of the ensuing Annual General Meeting and in respect of whom the Company has received a Notice from a Shareholder under Section 257 of the Companies Act, 1956 proposing his candidature for the Office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation"

By Order of the Board

C. V. Ramachandran
Company Secretary &
President – Legal & Admin.

Registered Office

Chander Mukhi, 2nd Floor,
Nariman Point,
Mumbai – 400 021.

Date: 22nd March, 2007.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Explanatory statement for Item Nos. 5 & 6 of accompanying notice pursuant to the provisions of Section 173 of the Companies Act, 1956 is enclosed.
3. The Register of Members and Share Transfer books of the Company will remain closed from 10-4-2007 to 12-4-2007 (both days inclusive).
4. For the convenience of members, an attendance slip is annexed to the Proxy form. Members are requested to fill in and append their signatures at the space provided thereof and hand over the attendance slip at the entrance of the place of the meeting. Proxy / representative of a member should mark on the attendance slip as 'Proxy' or 'Representative' as the case may be. Members are also requested not to bring with them any person, who is not a Member / Proxy.
5. Members are requested to notify the change in address, if any, immediately, quoting their Client ID No./ Folio No., Number of Shares held, etc. to the Company's Share Transfer Agents, 'M/s Bigshare Services Pvt. Ltd.'

Garware Offshore Services Limited

(Formerly Garware Shipping Corporation Limited)

6. Members holding shares in identical order of names in more than one Folio, are requested to write to the Company's Registered office and / or Share Transfer Agent, and send their Share Certificates to enable consolidation of their holding into one Folio.
7. All enquiries and correspondence regarding Transfer of Shares, Dematerialisation, etc. should be addressed to Registrars and Share Transfer Agents of the Company, M/s Bigshare Services Pvt. Ltd., E-2/3 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.
8. **Details of Directors seeking appointment and re-appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)**

Name of Director	Mr. J. C. Chopra	Mr. D. J. Thakkar	Mr. Shamsunder Aggarwal
Date of Birth	04.03.1931	01.10.1936	30.06.1937
Nationality	Indian	Indian	Indian
Date of Appointment on the Board	22.11.2006	20.12.2006	19.02.1994
Qualifications	M.A. (Economics DSE)	Chartered Accountant	B.Sc. (New York University)
Expertise in functional area	Marketing, Foreign Trade and General Management.	Accountancy, Corporate Governance and Specialist in FEMA.	Pioneer in concept of Office Business Centres.
No. of Shares held in the Company	NIL	NIL	NIL
List of Directorships held in other Companies	<ul style="list-style-type: none"> • Eureka Forbes Ltd. • Infogain India Pvt. Ltd • Bihar Caustic & Chemicals Ltd • Indian Society of Advertisers 	<ul style="list-style-type: none"> • Omega Management Services Ltd. • Rajasvi Properties Holdings Pvt Ltd. • Wearology Ltd. • Starrock Investments & Trading Pvt. Ltd. • Panasonic Battery India Co.Ltd. • Deccan Florabase Ltd. • Essar Oil Ltd. • Thirumalai Chemicals Ltd. • The Ruby Mills Ltd. • PAE Ltd. • Himatsingka Seide Ltd. • Chrysanthemum Investments Pvt. Ltd. • Blueberry Trading Co. Pvt. Ltd. • Township Real Estate Developers Pvt. Ltd. • Hamlet Constructions India (P) Ltd. • Indo Count Industries Ltd. • Walchandnagar Industries Ltd. • Windmere Hospitality (I) P. Ltd. • Hindtron Consultancy Services Pvt. Ltd. 	<ul style="list-style-type: none"> • DBS Corporate Services Pvt. Ltd • DBS Financial Services Pvt. Ltd. • DBS Capital Markets Pvt. Ltd. • DBS Internet Services Pvt. Ltd. • DBS Securities Pvt. Ltd. • Vanvik Leasing Pvt. Ltd.



Chairman /Member Committee of the Boards of other Companies in which he is a Director	Member Audit Committee- <ul style="list-style-type: none"> • Bihar Caustic & Chemicals Ltd Remuneration Committee <ul style="list-style-type: none"> • Eureka Forbes Ltd 	Chairman - Audit Committee <ul style="list-style-type: none"> • Essar Oil Ltd • Thirumalai Chemicals Ltd. • PAE Ltd. • Himatsinka Seide Ltd Chairman - Investor Grievances Committee- <ul style="list-style-type: none"> • Panasonic Battery India Co.Ltd Member - Audit Committee- <ul style="list-style-type: none"> • Panasonic Battery India Co.Ltd. • Walchandnagar Industries Ltd. Member - Investor Relations Committee- <ul style="list-style-type: none"> • Essar Oil Ltd Member - Shares Transfer Committee <ul style="list-style-type: none"> Thirumalai Chemicals Ltd 	<p style="text-align: center;">NIL</p>
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REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance of the Annual General Meeting so as to enable the Company to keep the information ready. Only information which can be furnished will be furnished to the members.
2. Members are requested to bring their copy of the Annual Report to the Meeting.

By Order of the Board

Registered Office
Chander Mukhi, 2nd Floor,
Nariman Point,
Mumbai – 400 021.

C. V. Ramachandran
Company Secretary &
President – Legal & Admin.

Date: 22nd March, 2007.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 5 & 6.

Mr. J. C. Chopra and Mr. Dilip J. Thakkar were appointed as an Additional Directors on 22nd November, 2006 and 20th December, 2006 respectively and as per the provisions of Articles of Association of the Company and Section 260 of the Companies Act, 1956, they hold Office till date of the ensuing Annual General Meeting.

The Company has received Notice from a Shareholder in respect of both the Directors proposing their candidature for the Office of the Director of the Company.

Accordingly, approval for the same is sought from the members for the Item Nos. 5 & 6 of this Notice.

The Directors therefore recommend the resolutions for approval.

Except Mr. J. C. Chopra and Mr. D. J. Thakkar, no other Director is interested or concerned in these resolutions.

Registered Office
Chander Mukhi,
Nariman Point,
Mumbai – 400 021.

By Order of the Board

C. V. Ramachandran
Company Secretary &
President – Legal & Admn.

Date: 22nd March, 2007

Garware Offshore Services Limited

(Formerly Garware Shipping Corporation Limited)

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

	Year ended 31.12.2006	Rs. in Lacs Year ended 31.12.2005
FINANCIAL RESULTS :		
Income from operations	5,237.78	3,086.35
Other Income	136.40	185.72
Gross Income	5,374.18	3,272.07
Expenses for the year	2,292.16	1,720.45
Operating Profit for the year	3,082.02	1,551.62
Interest	676.31	53.64
Profit before Depreciation	2,405.71	1,497.98
Depreciation	762.19	357.47
Profit before Tax	1,643.52	1,140.51
Provision for Taxation Current Tax	41.15	82.23
Net Profit for the Year	1,602.37	1,058.28
Add/(Less): Excess / (Short) Prov. of Tax for earlier year	(44.02)	0.10
Net Profit / (Loss) after Tax	1,558.35	1,058.38

FINANCIAL HIGHLIGHTS:

The gross income of the Company for the year ended 31st December, 2006 stands at Rs.53.74 crores as against Rs.32.72 crores for the previous year (an increase of 64%). Income from operations increased from Rs.30.86 crores to Rs.52.38 crores (an increase of 70%).

All the Company's Vessels are on term charter with various E & P Producers.

The net profit for the year stands at Rs.16.02 crores as against Rs.10.58 crores (an increase of 51%).

OPERATIONS:

The Company's 4 (Four) Anchor Handling Tug cum Supply Vessels continue to be on contract with the Oil and Natural Gas Corporation (ONGC) till May, 2007. The Company's Vessel, M.V. Everest purchased in December, 2005 is on term charter with British Gas Exploration and Production India Ltd. (BGEPIIL) in the West Coast of India.



The Company's first newly constructed Platform Supply Vessel, built by Havyard Leirvik AS, M.V. Kailash, was delivered in November, 2006 and is presently on charter with Transocean Offshore International Ventures Ltd. with effect from 29th December, 2006 for a period of 3 years.

The Company has placed orders for 3 additional Platform Supply Vessels with Havyard Leirvik AS which are to be delivered in May, 2007, March, 2008 and December, 2008 respectively.

With regard to the dues from ONGC, ONGC has filed an appeal before the Hon'ble Supreme Court. Arguments of both the parties are completed. The matter is now kept for Orders by Hon'ble Supreme Court.

Regarding disputes on other issues, discussions with ONGC are continuing and a settlement outside Arbitration is expected this year.

DIVIDEND:

Your Directors are pleased to recommend a dividend of 18% , which includes 10% interim dividend declared during the year (previous year 12 %). The Final Dividend of 8%, if approved by the shareholders, will be payable to the Shareholders whose names appear on the Register of Members as on 12-4-2007.

The total cash outflow on account of Dividend and Tax thereon amounts to Rs.3.91 crores.

EXPANSION / DIVERSIFICATION:

In addition to the expected deliveries of 3 Platform Supply Vessels in the next 21 months, the Company is now actively looking to acquire additional Anchor Handling Tug cum Supply Vessels.

The Company has also signed a Memorandum of Understanding with Havyard Leirvik AS for the marketing and sale of designs of Ships and construction of Vessels built by them as also Ships designed by Havyard Maritime AS, a group concern of Havyard Leirvik AS. The Company has the exclusive marketing right for Ships and designs of the Havyard Group to Indian Shipping/Offshore Companies and Indian Yards. The Company has marketed 4 (Four) Havyard Leirvik designs to an Indian Shipyard in early 2007.

The Company also has plans of setting up a Knowledge Process Outsourcing (KPO) unit in collaboration with Havyard Leirvik AS to prepare Workshop designs for all types of Marine Assets in India.

FUTURE OUTLOOK:

The Exploration and Production (E & P) activities have grown substantially in view of the high price of Oil recently. The Company plans to take part in this growth by acquiring additional Offshore related Assets in the future.

The Company also, in principle, plans to diversify its presence geographically to cater to the need for Offshore Assets in the International market.

The Company's new building orders of PSV's will help augment earnings and profitability. In addition, depending upon demand, the Company also envisages further acquisitions in the near future.

PREFERENTIAL ALLOTMENTS OF EQUITY SHARES AND CONVERTIBLE WARRANTS:

During the year under review, two preferential allotments were made for the aggregate of 26,82,500 Equity Shares of Rs.10/- each, 27,60,725 Convertible Warrants and 25,00,000 10% Optionally Convertible Debentures of Rs.100/- each. The Company has obtained listing permission from Bombay Stock Exchange Ltd., for the Equity Shares allotted.

All Warrants Holders of the first preferential allotment issued in 2005 holding 16,81,600 warrants have exercised their options for conversion of Warrants into shares. Accordingly, the shares are allotted and listed on the Bombay Stock Exchange Ltd.

RAISING OF FUNDS:

The Company's plan for raising funds by issue of securities under FCCB route and/or Qualified Institutional Placement route will be implemented depending upon the Company's expansion plan and fund requirement, to cater to the same.