

Annual Report

2004-2005



**Goldiam
International
Limited**

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

Goldiam International Limited

BOARD OF DIRECTORS

MANHAR R. BHANSALI Chairman & Managing Director
 RASHESH M. BHANSALI Vice-Chairman & Managing Director
 AJAY M. KHATLAWALA Director
 RAJESH G. KAPADIA Director
 Dr. R. SRINIVASAN Director
 V.N.NADKARNI Director

LISTING

The Stock Exchange, Mumbai,
 Phiroze Jeejeebhoy Towers,
 Dalal Street. Mumbai - 400001

DEMAT DETAILS

ISIN : INE025B01017

SECRETARY

M. K. VARMA

AUDITORS

PULINDRA PATEL & CO.,
 Chartered Accountants

BANKERS

Hongkong & Shanghai Banking Corpn.Ltd.
 Punjab National Bank,
 Bank of India
 ABN AMRO Bank NV
 HDFC Bank Ltd.
 ICICI Bank Ltd.
 UTI Bank Ltd.
 Citibank NA

EIGHTEENTH ANNUAL GENERAL MEETING

will be held on July 26, 2005, At 4.00 p.m. at
 Banquet Hall, 'Tribune 1', 6th Floor, Hotel Tunga
 International, MIDC Central Road, Andheri (East)
 Mumbai - 400 093.

REGISTERED OFFICE

Gems & Jewellery Complex,
 Seepz, Andheri (East),
 Mumbai - 400 096

BRANCH OFFICE

2, Prasad Chambers
 Opera House, Mumbai - 400 004
 e.mail: goldiam@vsnl.com
 Web address: www.goldiam.com

REGISTRARS AND TRANSFER AGENTS

M/s Intime Spectrum Registry Ltd.,
 C-13, Pannalal Silk Mills Compound,
 LBS Marg, Bhandup (W),
 MUMBAI - 400 078.
 Tel Nos 55555454,,
 Fax: 55555353 e-mail: isrl@intimespectrum.com

Branch at:

202, Daver House,
 D.N.Road, Mumbai - 400 001
 Tel: 22694127

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Goldiam International Limited

Notice

NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the Members of GOLDIAM INTERNATIONAL LIMITED will be held on Tuesday, 26th July, 2005, at 4.00 p.m. at Banquet Hall, 'Tribune 1', 6th Floor, Hotel Tunga International, MIDC Central Road, Andheri (East), Mumbai- 400 093, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account of the Company and the Auditors' Report thereon for the year ended on 31st March, 2005.
2. To declare final dividend on equity shares for the year ended on 31st March, 2005.
3. To appoint a Director in place of Shri Rajesh G. Kapadia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Pulindra Patel & Company, Chartered Accountants, as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and pass the following resolution, with or without modification, as an Ordinary Resolution:
"RESOLVED pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, that consent of the Company be and is hereby accorded to increase the remuneration of the Vice Chairman and Managing Director Shri Rashesh M. Bhansali to Rs. 7,75,000.00 per month with effect from 1st April, 2005 for the remainder of his appointment approved by the members at the Annual General Meeting held on 3rd August, 2001, the other terms and conditions remaining unchanged."
6. To consider and pass the following resolution, with or without modification, as an Ordinary Resolution:
"RESOLVED pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, that the Company hereby accords its approval to the re-appointment of Shri Manhar R. Bhansali as the Chairman & Managing Director of the Company, for a period of 5 years with effect from 24th January, 2006 and that he be remunerated by way of commission as a percentage to the profit earned by the Company, as may be decided by the Board of Directors from time to time, not exceeding 5% of such profit in any year, as per the provisions of the Companies Act, 1956 and that he shall also be entitled for use of Company's Car and Telephone at residence as

per the provisions contained in Schedule XIII to the Companies Act, 1956."

7. To consider and pass the following resolution, with or without modification, as an Ordinary Resolution:
"RESOLVED pursuant to provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, that consent of the Company be and is hereby accorded to the reappointment of and payment of remuneration to Shri Rashesh M. Bhansali, Vice Chairman & Managing Director of the Company for a period of 5 years with effect from 1st February, 2006 on remuneration and the terms and conditions as detailed hereinbelow:

PART A:

Basic Salary Rs. 7,75,000/- per month

PART B

1. Medical Reimbursement
Reimbursement of expenses incurred subject to a Ceiling of one month's salary in a year or three months' salary over a period of three years.
2. Leave Travel Concession
Leave Travel Concession for self and family once in a year incurred in accordance with the Rules of the Company for the time being in force.
3. Club Fees
Fees of Two Clubs
4. Personal Accident Insurance Premium not exceeding Rs. 5,000/- per annum.
5. Car with Driver for Office Use
6. Telephone at residence subject to personal long distance calls to be reimbursed to the Company

FURTHER RESOLVED THAT Shri Rashesh M. Bhansali, Vice Chairman & Managing Director shall also be entitled to Gratuity as per the provisions of the Payment of Gratuity Act, 1972 (subject to a ceiling of Rs. 3,50,000/-) and privilege leave as applicable to other members of the Staff.

FURTHER RESOLVED THAT Shri Rashesh M. Bhansali, Vice Chairman & Managing Director shall be entitled to Commission as a percentage to the net profits of the Company, as may be decided by the Board of Directors from time to time, subject to the ceiling fixed under Section 309 and Schedule XIII to the Companies Act, 1956 and amendments made thereto from time to time.

8. To consider and if thought fit pass the following resolution, with or without modification, as a Special Resolution:

"RESOLVED THAT approval be and is hereby given to increase the Authorised Share Capital of the Company to Rs.27,00,00,000/- (Rupees twentyseven Crores only).

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FURTHER RESOLVED THAT Clause V of the Memorandum of Association of the Company be amended to read as under:

"V The Authorised Share Capital of the Company is Rs.27,00,00,000/- (Rupees twentyseven Crores only), divided into 2,70,00,000.(Two Crores and Seventy lacs only) Equity Shares of Rs. 10/- (Rupees Ten only) each with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act or provided by the Articles of Association of the Company for the time being.

FURTHER RESOLVED THAT Article 5 of the Articles of Association of the Company be amended to read as under :

5. The Authorised Share Capital of the Company shall be as provided in the Capital Clause of the Memorandum of Association. The Company has the power from time to time to increase or reduce its capital. Any of the said shares or any new shares hereinafter to be created may from time to time be divided into shares of several classes in such manner as may be provided hereinafter. The shares of each class may have or confer such preferred or other special rights and privileges may be issued under such restrictions and conditions whether in regard to dividend, voting, return of capital or otherwise as shall be or under provisions of the Articles of Association but so that the special rights or privileges belonging to holders of any shares issued with preferred or other rights shall not be varied or abrogated or affected except with such sanction as is provided for hereinafter."

9. To consider and if thought fit pass the following resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED THAT

- a) A sum of Rs. 87,19,478 (Rupees eighty seven lacs nineteen thousand four hundred and seventy eight only) from Security Premium Account and Rs 12,34,44,522 (Rupees twelve crore thirtyfour lacs fortyfour thousand five hundred and twenty two only) from General Reserve Account as is permissible to be utilised for the purpose of issue of Bonus Shares, be and is hereby capitalised and accordingly the said sum of Rs.13,21,64,000 (Rupees thirteen crore twentyone lacs and

sixty four thousand only) be transferred from the afore said sum of Rs 13,21,64,000 (Rupees thirteen crore twentyone lacs and sixtyfour thousand only) and be applied for issue and allotment of Bonus Shares to the persons who as on the record date, to be fixed by the Board of Directors in consultation with the Stock Exchange, where the shares of the Company have been listed, be the holders of the existing 1,32,16,400 Equity Shares of Rs. 10/- each of the Company in payment in full for 1,32,16,400 New Equity Shares and that such new fully paid up equity shares out of the Company's unissued shares be accordingly issued and allotted as Bonus Shares to such persons as aforesaid in the proportion of 1 (one) such New Equity share for every 1 (one) existing share.

- b) the said 1,32,16,400 Equity Shares of Rs.10/- each shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with and carry the same rights as the existing Equity Shares of the Company not withstanding the date or dates of allotment thereof and shall be entitled to participate in full in any Dividend to be declared in respect of the Financial Year in which the allotment of the New Equity Shares pursuant to this resolution is made.
- c) No Letter of Allotment will be issued by the Company in respect of the new equity shares, however, the equity share certificates will be ready for delivery or credit in dematerialised form will be given in respect thereof to the allottees within 3 months from the date of allotment thereof.
- d) No allotment of Bonus shares shall be made to the non-resident Indian Members till the approval of Reserve Bank of India, or such other approval as may be necessary in this regard, is obtained by the Company.
- e) For the purpose of giving effect to the resolution the Board of Directors or any committee constituted by the Board be and is hereby authorised to give such directions as may be desirable and to settle any question or difficulties whatever that may arise with regard to the issue, allotment and distribution of the New Equity Shares."

By order of the Board,

M. K. VARMA
Company Secretary

Place: Mumbai

Date: 7th May, 2005

Regd. Office: Gems & Jewellery Complex, Seepz, (SEZ)
Andheri (E), Mumbai - 400 096.

Goldiam International Limited

NOTES :

- 1) A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member.
- 2) The instrument appointing proxy should, be deposited at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
- 3) The dividend as recommended by the Board, if sanctioned at the Annual General Meeting, will be paid to those members whose names appear on the Company's Register of Members, as on 26th July, 2005. In respect of the shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
- 4) The Register of Members and Share Transfer Books will remain closed from Saturday, 16th July, 2005 to Tuesday, 26th July, 2005 (both days inclusive).
- 5) In all correspondence with the Company, members are requested to quote their folio numbers and in case the shares are held in the dematerialised form, they should quote their client ID Number and DP ID Number.
- 6) Members, who hold shares in dematerialised form are requested to inform their client ID and DP ID numbers for easier identification for attendance at the meeting.
- 7) Share holders are requested to note that if physical documents, viz. Demat Request Forms (DRF) and share certificates, etc. are not received from their DPs by the Company/Registrar within a period of 14 days from the date of generation of the DRN for dematerialisation, the DRN will be treated as rejected/cancelled. Upon rejection/cancellation of the DRN, a fresh DRF has to be forwarded along with the share certificates by the DPs to the Company/Registrar. This note is only to caution shareholders that they should ensure that their DPs do not delay in sending the DRF and share certificates to the Company registrar after generating the DRN.
- 8) Members desiring to have any information on the accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.
- 9) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report with them.
- 10) Information u/s 205A read with the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 as amended is given below:
 - (i) Pursuant to Section 205 of the Companies Act, 1956 all unclaimed/unpaid dividends up to the financial year ended 31.3.1995 have been transferred to the General Reserve Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, 'EVEREST', 100, Marine Lines, Mumbai by submitting an

application in the prescribed form;

- (ii) Consequent to amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company is to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Accordingly the unpaid dividend amount for the years ended on 31.3.1996 and 31.3.1997 have been transferred to the Fund. The unpaid dividend amount for the year ended on 31.3.1998 will be transferred after 16th July, 2005.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE DATED 7th May, 2005.

ITEM NO. 5

Approval has been given by the members at the Annual General Meeting held on 3rd August, 2001 for reappointment of Shri Rashesh M. Bhansali as Vice Chairman & Managing Director as per the terms and conditions detailed therein. The members on the recommendation of the Board decided to increase his remuneration to Rs. 5,00,000.00 with effect from 1st April, 2004, at the Annual General Meeting held on 30th July, 2004. As the present term of appointment will expire on 31st January, 2006 the Board of Directors at the meeting held on 7th May, 2005 decided to increase the same with effect from 1st April, 2005 for the remainder of his appointment.

In addition to the Salary mentioned above he is entitled to usual benefits such as Gratuity, Privilege Leave, and Commission out of net profits as computed and subject to such ceiling prescribed as per the provisions of the Companies Act, 1956 of such amount and in such proportion as may be decided by the Board of Directors from time to time. He is also entitled to reimbursement of medical expenses subject to a ceiling of one month's salary in a year or three months' salary over a period of three years, leave travel concession for self and family, membership of two clubs, personal accident insurance with premium not exceeding Rs.5000 p.a., car and telephone at residence for office use, as per the provisions contained in Schedule XIII of the Companies Act, 1956.

Shri Rashesh M. Bhansali has wide and rich experience in the field of Diamonds and Jewellery and in managing the affairs of the Company under whose stewardship the Company has reached new heights. He is a Director of Diagold Designs Ltd, Goldiam Jewels Ltd. and Goldiam Jewellery Ltd., subsidiaries of the Company; and Cupid Diamonds Pvt. Ltd. The Board of Directors recommends the approval of members to the resolution.

None of the Directors except Shri Rashesh M. Bhansali and his father Shri Manhar R. Bhansali is deemed to be concerned or interested in the resolution.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NO. 6

Approval was given by the members at the Annual General Meeting held on 3rd August, 2001 for the appointment of Shri Manhar R. Bhansali as the

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Chairman & Managing Director of the Company w.e.f. 24th January, 2001, for a period of 5 years, as per the terms and conditions detailed therein. As the present term of appointment will expire on 23rd January, 2006, the Board of Directors at the meeting held on 7th May, 2005 decided to reappoint him for a further period of 5 years w.e.f. 24th January, 2006, and also decided to remunerate him on the basis of performance of the Company, to be decided by the Board from time to time as a percentage of the profits of the Company computed as per the provisions of the Companies Act, 1956, as is being paid now. In addition to the remuneration, he will be entitled to use of Company's Car and Telephone at residence for office use.

Shri Manhar R. Bhansali is the promoter of the Company and has been its Chairman since incorporation. He has wide and deep knowledge and experience in the field of Diamonds and Jewellery and had always been a source of inspiration to one and all in the Company. His proximity and easy access to higher echelons of the Government hierarchy has always been of immense help to the Company in times of need. He is a Director of Diagold Designs Ltd, Goldiam Jewels Ltd. and Goldiam Jewellery Ltd., subsidiaries of the Company; and, Imperial Diamonds Pvt. Ltd. and Cupid Diamonds Pvt. Ltd. The Board of Directors recommends the approval of members to the resolution according consent to his appointment.

None of the Directors, except Shri Manhar R. Bhansali and his son Shri Rashesh M. Bhansali, is deemed to be concerned or interested in this resolution.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NO.7:

Approval has been given by the members at the Annual General Meeting held on 3rd August, 2001 for reappointment of Shri Rashesh M. Bhansali as Vice Chairman & Managing Director as per the terms and conditions detailed therein. The members on the recommendation of the Board decided to increase his remuneration to Rs. 5,00,000.00 with effect from 1st April, 2004, at the Annual General Meeting held on 30th July, 2004. As the present term of appointment will expire on 31st January, 2006 the Board of Directors at the meeting held on 7th May, 2005 decided to reappoint him for a further period of 5 years w.e.f. 1st February, 2006.

In addition to the Salary mentioned above he is entitled to usual benefits such as Gratuity, Privilege Leave, and Commission out of net profits as computed and subject to such ceiling prescribed as per the provisions of the Companies Act, 1956 of such amount and in such proportion as may be decided by the Board of Directors from time to time. He is also entitled to reimbursement of medical expenses subject to a ceiling of one month's salary in a year or three months' salary over a period of three years, leave travel concession for self and family, membership of two clubs, personal accident insurance with premium not exceeding Rs.5000/- p.a., car and telephone at residence for office use, as per the provisions contained in Schedule XIII of the Companies Act, 1956.

Shri Rashesh M. Bhansali has wide and rich experience in the field of Diamonds and Jewellery and in managing the affairs of the Company under whose stewardship the Company has reached new heights. He is a Director of Diagold Designs Ltd, Goldiam Jewels Ltd.

and Goldiam Jewellery Ltd., subsidiaries of the Company; and Cupid Diamonds Pvt. Ltd. The Board of Directors recommends the approval of members to the resolution.

None of the Directors except Shri Rashesh M. Bhansali and his father Shri Manhar R. Bhansali is deemed to be concerned or interested in the resolution.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NO.8

The Company is proposing to issue Bonus shares in the ratio of 1(ONE) share for each 1(ONE) share held and this could be done only after increasing the Authorised Share Capital of the Company which at present is Rs.15,00,00,000/-. In view of the above it is necessary to increase the Authorised Share Capital of the Company to a level to enable issue and allotment of the Bonus Shares. The Board of Directors, therefore, decided to increase the Authorised Share Capital to Rs.27,00,00,000/- to meet the present requirement. Consequent to the increase in Authorised Capital of the Company, the Memorandum and Articles of Association of the Company are also to be amended to incorporate the increase in the Share Capital. Your Directors recommend the passing of the above resolution.

None of the Directors could be deemed to be interested in the resolution excepting to the extent of their shareholding in the Company.

ITEM NO. 9

The Board of Directors at the meeting held on 7th May, 2005 decided to capitalise Share Premium Account to the tune of Rs. 87,19,478 (Rupees Eighty seven lacs nineteen thousand four hundred and seventy eight only) and General Reserve Account to the tune of Rs 12,34,44,522 (Rupees twelve crore thirtyfour lacs fortyfour thousand five hundred and twentytwo only) and to issue 1,32,16,400 Equity Shares as Bonus to the existing share holders in the ratio of 1 (One) Share against each 1 (one) share held. Such issue and allotment requires the permission of the Shareholders at the General Meeting.

Your Directors recommend the passing of the above resolution.

The Directors are deemed to be interested in the resolution to the extent of their shareholding in the Company.

Documents for inspection:

The documents referred to in the Notice above are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days until the date of the Annual General Meeting.

By Order of the Board

M. K. VARMA
Company Secretary

Place : Mumbai
Date : 7th May, 2005

Regd. Office: Gems & Jewellery Complex,
Seepz (SEZ), Andheri (E), Mumbai - 400 096

Goldiam International Limited

Directors' Report

Dear Members,

Your Directors have pleasure in presenting this Eighteenth Annual Report on the affairs of the company together with the Audited Statements of Accounts for the year ended on 31st March, 2005..

FINANCIAL RESULTS:

| | (Rupees in Lacs) | |
|---|------------------|------------|
| | Year ended | Year ended |
| | 31.3.2005 | 31.3.2004 |
| Sales for the year | 18090.36 | 17836.81 |
| Profit before Interest, depreciation & taxation | 2591.31 | 2015.25 |
| Less Interest: | - | - |
| Operating profit before depreciation & taxation | 2591.31 | 2015.25 |
| Less: Depreciation | 110.26 | 111.94 |
| Profit before taxation | 2481.05 | 1903.31 |
| Income relating to previous year | - | 0.02 |
| Provision for taxation | 59.49 | (36.72) |
| Provision for taxation written off/written back | (0.20) | 2.60 |
| Profit after taxation | 2421.77 | 1869.21 |
| Add: Balance brought forward | 4443.30 | 3670.49 |
| Profit available for appropriation | 6865.07 | 5539.70 |

DIVIDEND:

The Board considering the payment of interim dividend @ Rs. 2.00 per share (20%) has decided to recommend final dividend @ Rs. 0.50 per share (5 %), thus giving a total dividend of Rs. 2.50 per share (25 %) for the year under report.

OPERATIONS:

The turnover for the year under review reached Rs 18090.36 lacs. The net profit after provision for interest, depreciation and taxation is Rs.2421.77 lacs compared to previous year's profit of Rs.1869.21 lacs.

BONUS ISSUE & INCREASE IN AUTHORISED CAPITAL:

Your Directors recommend issue and allotment of Bonus Shares in the ratio of 1 : 1 to the shareholders who hold shares on the record date to be fixed after approval of the members at the Annual General Meeting. To facilitate the issue, the Authorised Share Capital need be increased from the current level of Rs.15 crores and your Directors recommend increase of the Authorised Share Capital to Rs. 27 Crores.

SUBSIDIARY COMPANIES

The Company has promoted and acquired equity shares of M/s Goldiam Jewels Ltd., to hold 50.55 percent of the paid up share capital of that company, making it a subsidiary of your Company. The new subsidiary, with NRI participation, is intended to manufacture and export Jewellery through a new advanced process of

continuous casting and drawing, which will bring out better quality jewellery. The company can also manufacture jewellery with non-precious metals under the process, which is getting popular in the US. Since the end of the year under report a wholly owned subsidiary, viz. Goldiam Jewellery Limited, with a paid up capital of Rs. 1 crore has been promoted and got registered. As the company is running in full capacity, this subsidiary is to start a new plant in SEEPZ (SEZ). The Company has incorporated another subsidiary in Hong Kong, 'Goldiam HK Limited', to install a jewellery manufacturing plant in China to exploit the favourable conditions there to expand the business of the Company. As per the provisions of Section 212 of the Companies Act, 1956 copies each of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies, viz. M/s Diagold Designs Ltd. and M/s Goldiam Jewels Ltd. are attached with the Annual Accounts of the Company. Pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India Consolidated Financial Statement is also attached. The subsidiary, M/s Diagold Designs Ltd. has achieved export turnover of Rs.5668.29 lacs and earned net profit after tax of Rs.512.89 during the year, while the other subsidiary, M/s Goldiam Jewels Ltd. is yet to start commercial activities. As Goldiam Jewellery Limited and Goldiam HK Limited were registered after the end of the financial year documents of these companies are not being presented with this report. As per the provisions of Section 212 of the Companies Act, 1956 details relating to the holding company's interest in the subsidiaries are annexed to this report.

DELISTING OF SHARES:

Though the Stock Exchanges of Ahmedabad and Jaipur have delisted the shares as applied for, the Delhi Stock Exchange has not delisted the shares of the Company, making post facto demands, which the Company has disputed and made complaint to SEBI. However as no response has yet come from SEBI your directors have decided to meet demands and get the shares delisted.

DEMATERIALISATION:

More than 95% of the Shares of the Company have now been dematerialised. Your Directors would request all the members who have not yet got their holdings dematerialised to do so to enable easy trading of the shares, as the shares of the Company are notified by SEBI for compulsory trading in the dematerialised form.

DIRECTORS:

As per Article 118 of the Articles of Association of the Company, Shri Rajesh G. Kapadia, Director of the Company will retire by rotation and being eligible offer himself for re-appointment. Your Directors recommend his re-appointment.

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The terms of appointments of Shri Manhar R. Bhansali, Chairman & Managing Director and Shri Rashesh M. Bhansali, Vice Chairman & Managing Director will expire on 23.1.2006 and 31.1.2006 respectively and your Directors recommend their reappointment on the terms and conditions, as mentioned in the notice of the meeting, w.e.f. 24.1.2006 and 1.2.2006 respectively.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) that in the preparation of annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) that the directors had 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 fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

AUDITORS:

M/s Pulindra Patel & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible have consented for re-appointment. Your Directors recommend their re-appointment.

REPORT ON CORPORATE GOVERNANCE:

A separate report on Corporate Governance is attached to this report along with Statutory Auditors' certificate on its compliance.

(A) CONSERVATION OF ENERGY,

(B) TECHNOLOGY ABSORPTION,

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the information is furnished herein below:

A. CONSERVATION OF ENERGY:

As the Gems & Jewellery Industry is not covered by the Schedule prescribed by the said Rules disclosure of particulars on conservation of energy is not applicable to the Company.

B. TECHNOLOGY ABSORPTION:

The particulars regarding absorption of technology are annexed in the prescribed form B of the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company's main line of business is the manufacture and export of Studded Gold Jewellery. The Company has achieved a growth in exports during the current year 2004-2005 with Export Turnover of Rs. 18090.36 lacs as compared to Rs.17836.81 lacs in the previous year, 2003-2004.

Total Foreign Exchange used: Rs.389,932,324

Total Foreign Exchange earned : Rs.1,792,265,042

PARTICULARS OF EMPLOYEES:

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies Amendment Act, 1988 are annexed hereto forming part of this report.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to place on record their appreciation and sincere gratitude to Government of India, Government of Maharashtra, Seepz (SEZ) Authorities and the Bankers to the Company for their valuable support, and look forward to their continued co-operation in the years to come.

Your Directors acknowledge the support and co-operation received from the employees and Unions of Employees, but for which the performance of the Company would not have reached the remarkable levels it has achieved, and thank them for the same.

For and on behalf of the Board of Directors,

MANHAR R. BHANSALI
CHAIRMAN

Place: Mumbai

Dated: 7th May, 2005

Goldiam International Limited

Annexures Forming Part Of The Directors' Report

ANNEXURE - I

FORM B

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D), as per Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988

1) Specific areas in which R&D is carried out by the Company

The Company is always looking at newer technologies to manufacture diamond studded gold jewellery, fusion between lost wax casting process + stamping + jewellery. This type of jewellery is now very appealing in the international markets. The Company has started Metal Moulds Technology for production of Jewellery.

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

From the above fusion the company has achieved a much higher volume of sales and hopes to achieve better margins in the coming years. It also gives our customers the leading edge over their competitors as this type of Jewellery is not produced by all.

3) Future Plans of Action

The Company is looking for further acquisitions in order to enhance capacity and augment sales. The Company is installing a manufacturing unit in China. A Design & Marketing Official is being posted in Hong Kong.

4) Expenditure on R & D

As stated above the R&D is a continuous process and the expenditure is not specifically earmarked for the same and is debited to the general manufacturing expenses:

Capital, Recurring,

NIL

Total R & D Expenditure as % to total turnover: N.A

Technology absorption, adaptation and innovation:

1) Efforts, in brief, made towards absorption, adaptation and innovation:

With the introduction of Invisible Setting in Diamond Studded Jewellery, Princess Cut Diamond Grooving Machinery and the adoption of Metal Moulds Technology, the Company has enhanced its export potential and value addition.

2) Benefit derived as a result of the above efforts. E.g. Product improvement, cost reduction, product development, import substitution, etc.

The benefit is being reflected in the areas of competitiveness and higher turnover.

3) In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the Financial Year), following information may be furnished:

- | | |
|---------------------------|--------------------------------|
| a) Technology imported, |) The Company has not imported |
| b) Year of Import, |) any Technology since its |
| c) Has Technology been, |) |
| fully absorbed, and |) formation. |
| d) If it is not fully |) |
| absorbed, areas where |) |
| this has not taken place, |) |
| reasons therefor and |) |
| future plans of action. |) |

ANNEXURE - II

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A)(a)

| Sr. No. | Name | Designation | Remuneration (Rs.) | Qualification | Age | Experience Years | Date of Commencement of Employment | Particulars of last Employment |
|---------|--------------------------|------------------------------|-----------------------|---------------|-----|---------------------|------------------------------------|--------------------------------|
| 1. | Shri Manhar R. Bhansali | Chairman & Mg. Director | Rs.12587643.00 | Int.Com. | 63 | 39 | 24.01.2001 | - |
| 2. | Shri Rashesh M. Bhansali | Vice-Chairman & Mg. Director | Rs.12827643.00. | T.Y.B.Com. | 37 | 19 | 01.09.1988 | - |

Notes:

- No Director is related to any other Director, except Shri Manhar R. Bhansali, Chairman & Managing Director and Shri Rashesh M. Bhansali, Vice Chairman & Managing Director, as father and son.
- Gross Remuneration includes Salary, Ex-Gratia Payment, Taxable Value of Perquisites and Commission.
- The appointments of the Chairman & Managing Director and Vice Chairman & Managing Director are contractual.
- None of the employees employed for part of the year was drawing remuneration of Rs.2,00,000/- or more per month.

Annual Report 2004 - 2005

Report On Corporate Governance

Your Directors are pleased to submit their report on the Corporate Governance of the Company for the Financial Year 2004-2005.

COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE:

Goldiam benchmarks its Corporate Governance with the prevalent practices and it conforms to the mandatory requirements.

MANAGEMENT DISCUSSION:

The Jewellery has an ever increasing market abroad and the Company with its manufacturing facility comparable to international standards has been able to capture a reasonable portion of the same. While opportunities are abundant, political uncertainty could affect this industry most. The Company has only one division, manufacturing and exporting of jewellery. The Company is expecting a reasonable increase in its exports as in the past; but, as stated earlier, any event affecting the international market sentiments could affect the jewellery industry also. The fluctuation in value of the US \$ has its effect on the profitability of the Company, and the Company is making use of forward booking contracts to nullify or at least reduce the effect of diminution of the US Dollar.

The Company has promoted three subsidiary companies, since last report, Goldiam Jewels Ltd., with NRI participation, intended to manufacture jewellery with a new process, which could manufacture other than conventional jewellery with non-precious metals also; Goldiam Jewellery Limited, for manufacturing jewellery in its plant in SEEPZ (SEZ); and, Goldiam HK Limited for installing a manufacturing plant in China to exploit the favourable conditions there for expanding the activities of the Company.

The Company has an inbuilt internal control system and the management considers it sufficient; and is certified by the Internal Auditors and the Statutory Auditors of the Company.

The Company has a track record of increasing operations resulting in better financial performance. With the current trend, and the operations of the subsidiaries also increasing the kitty of the Company, the management is hopeful of still better performance in the years to come.

The Company is having very low labour turnover and is having cordial industrial relations. There are no financial or commercial transactions having a potential conflict of interest between personnel in the management and the company.

BOARD OF DIRECTORS:

Composition and category of Directors as of 31.03.2005

| | | | |
|----|-------------------------------------|---|------|
| 1) | Promoter Executive Directors | 2 | 33% |
| 2) | Non-executive/Independent Directors | 4 | 67% |
| | | 6 | 100% |

The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

Attendance of each Director at the Board meetings held during the year ended 31.03.2005 and the last AGM:

| Director | No. of Board Meetings held | No. of Board Meetings attended | Last AGM YES/NO |
|--------------------------|----------------------------|--------------------------------|-----------------|
| Shri Manhar R. Bhansali | 4 | 4 | YES |
| Shri Rashesh M. Bhansali | 4 | 4 | YES |
| Shri Rajesh G. Kapadia | 4 | 4 | YES |
| Shri Ajay M. Khatlawala | 4 | 4 | YES |
| Shri V. N. Nadkarni | 4 | 3 | YES |
| Dr. R. Srinivasan | 4 | 2 | YES |