KALYANI

Bharat Forge Limited

Subsidiary Companies
Annual Reports
2011-2012

CONTENTS

Note :

The Financial Statements are stated in the respective local currencies. The same are converted in to Indian Rupees (INR) by applying the following rates:

Currency	Rate for conversion Equivalent INR
EURO	68.6100
SEK	7.1830
GBP	74.7642
USD	50.8900
RMB	7.2100

The Financial Statements have been prepared as per Generally Accepted Accounting Practices, in the respective countries, and the same are not converted as per the Indian GAAP

CDP Bharat Forge GmbH

Managing Director	***Registered Office***	***Auditors***
Dr. Arndt LaBmann	Mittelstrasse 64	WuP Truehand EmbH
Mr. Michael P. Kasperski	58256 Ennepetal	Wirtschaftsprufungsgesellschaft
Mr. Martin von Werne	Germany	Feithstrasse 177
		58097 Hagen
		Germany

Advisory Board

Mr. B. N. Kalyani
Mr. G. K. Agarwal
Mr. A. B. Kalyani
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos
Mr. Eckard Rudau
Dr. Hans-Peter Coenen

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the CDP Bharat Forge GmbH for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, April 16th, 2012

W U P Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Börstinghaus) Wirtschaftsprüfer	(Lingnau) Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CDP Bharat Forge GmbH, Ennepetal

Profit and Loss Account for the period from January 1st to December 31st, 2011

	Rs.		EUR		Previous Year EUR
1. Sales		11,845,986,207.49		172,656,846.05	121,995,597.43
2. Decrease in finished good inventories and work-in-process		69,420,051.51		1,011,806.61	3,260,205.30
3. Production for own plant and equipment capitalised		1,256,039.15		18,306.94	70,142.15
		11,916,662,298.15		173,686,959.60	125,325,944.88
4. Other operating income		241,275,386.71		3,516,621.29	1,322,184.40
		12,157,937,684.86		177,203,580.89	126,648,129.28
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	(6,134,692,349.28)		(89,413,968.07)		(61,108,416.66)
b) Cost of purchased services	(2,158,221,810.53)		(31,456,373.86)		(21,816,337.13)
		(8,292,914,159.81)		(120,870,341.93)	(82,924,753.79)
		3,865,023,525.05		56,333,238.96	43,723,375.49
6. Personnel expenses					
a) Wages and saleries	(1,638,054,469.81)		(23,874,864.74)		(22,030,400.92)
b) Social security contributions and pension expenses thereof Rs. 2,045,665.78 EUR 32,263.63 (2009: EUR 14,780.78) for pension expenses	(349,107,983.76)		(5,088,295.93)		(4,380,078.87)
		(1,987,162,453.57)		(28,963,160.67)	(26,410,479.79)
7. Depreciation and amortization on intangible fixed assets and tangible assets		(357,638,681.52)		(5,212,632.00)	(3,645,494.72)
8. Other operating expenses		(839,735,100.99)		(12,239,252.31)	(9,414,727.07)
		680,487,288.97		9,918,193.98	4,252,673.91
9. Income from Profit & Loss transfer agreements	103,968,962.12		1,515,361.64		829,077.93
10 Investment income thereof Rs. 3,555,418.55 EUR 56 075.00 (2009: EUR 33,450.00) from affiliated companies	6,845,744.57		99,777.65		67,850.44
11 Other interest and similar income	15,952.51		232.51		61.05
12 Depreciation on financial assets	0.00		0.00		0.00
13 Expenses out of profit and loss transfer agreements	(189,418,588.17)		(2,760,801.46)		(2,128,515.97)
14 Interest and similar expenses thereof Rs. 17,056,625.16 EUR 269,012.00 (2009: EUR 191,656.00) to affiliated companies thereof Rs. 28,279,402.25 EUR 446,014.29 (2009: EUR 0.00) from discounting of provisions	(77,677,316.47)		(1,132,157.36)		(906,081.51)
		(156,265,245.44)		(2,277,587.02)	(2,137,608.06)
15 Results from ordinary business operations		**524,222,043.53**		**7,640,606.96**	**2,115,065.85**
16 Extraordinary Income	0.00		0.00		226,013.18
17 Extraordinary Expenses	(53,813,087.13)		(784,333.00)		(122,718.00)
18 Extraordinary Results		(53,813,087.13)		(784,333.00)	103,295.18
19 Taxes on income	(46,395,609.94)		(676,222.27)		(77,784.85)
20 Other taxes	(16,360,549.19)		(238,457.21)		(252,137.07)
		(62,756,159.13)		(914,679.48)	(329,921.92)
21 Net income for the year		**407,652,797.27**		**5,941,594.48**	**1,888,439.11**

CDP Bharat Forge GmbH, Ennepetal

Balance Sheet as at December 31st, 2011

ASSETS	Rs.		EUR		As at 31/12/2010 EUR
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		23,907,497.55		348,455.00	300,316.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	394,385,762.53		5,748,225.66		5,864,958.66
2. Technical equipment and machinery	336,961,891.65		4,911,265.00		6,204,903.00
3. Other plant, factory and office equipment	488,542,582.14		7,120,574.00		6,496,263.00
4. Prepayments on tangible assets and construction	135,989,417.21	1,355,879,653.53	1,982,064.09	19,762,128.75	1,165,271.70
in progress					19,731,396.36
III. Financial assets					
1. Shares in affiliated companies	4,259,985,462.69		62,089,862.45		62,089,862.45
2. Loans to affiliated companies	229,500,450.00		3,345,000.00		4,345,000.00
3. Investments	300,168.75		4,375.00		4,375.00
4. Loans to associated companies	2,401,350.00		35,000.00		35,000.00
5. Security investments	0.00		0.00		0.00
		4,492,187,431.44		65,474,237.45	66,474,237.45
		5,871,974,582.52		85,584,821.20	86,505,949.81
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	489,782,843.05		7,138,650.97		6,292,887.76
2. Work in progress	461,943,045.00		6,732,882.16		6,578,577.09
3. Finished goods and merchandise	187,776,993.06		2,736,874.99		2,560,373.45
		1,139,502,881.11		16,608,408.12	15,431,838.30
II. Accounts receivable and other assets					
1. Trade receivables	1,146,046,804.11		16,703,786.68		14,850,227.76
- of which EUR 0.00 (12/31/2009: EUR 0.00) due after one year					
2. Receivables from affiliated companies	239,077,472.90		3,484,586.40		1,000,731.31
- of which EUR 0.00 (12/31/2009: EUR 0.00) due after one year					
- of which Rs. 1,397,172.02 EUR 22,035.78 (12/31/2009: EUR 0.00) to shareholders					
3. Receivables from associated companies	689,118.84		10,044.00		8,644.00
- of which EUR 0.00 (12/31/2009: EUR 0.00) due after one year					
4. Other assets	267,445,139.86		3,898,048.97		2,612,623.73
- of which EUR 0.00 (12/31/2009: EUR 0.00) due after one year					
		1,653,258,535.71		24,096,466.05	18,472,226.80
III. Cash on hands, bank balances		296,499,719.79		4,321,523.39	3,246,873.51
		3,089,261,136.61		45,026,397.56	37,150,938.61
C. Prepaid expenses		3,306,208.18		48,188.43	6,301.10
Total		**8,964,541,927.31**		**130,659,407.19**	**123,663,189.52**

CDP Bharat Forge GmbH, Ennepetal

Balance Sheet as at December 31st, 2011

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2010 EUR
A. Equity					
I. Share Capital		343,050,000.00		5,000,000.00	5,000,000.00
II. Capital reserves		3,599,584,405.08		52,464,428.00	52,464,428.00
III. Profit/loss brought forward		1,077,508,499.51		15,704,831.65	13,816,392.54
IV. Net income for the year		407,652,797.27		5,941,594.48	1,888,439.11
		5,427,795,701.86		79,110,854.13	73,169,259.65
B. Accruals					
1. Accruals for pensions and similar obligations	258,985,185.84		3,774,744.00		3,450,479.00
2. Tax accruals	59,279,040.00		864,000.00		105,896.06
3. Other accruals	279,542,678.01		4,074,372.22		5,009,818.39
		597,806,903.85		8,713,116.22	8,566,193.45
C. Liabilities					
1. Trade payables	1,417,672,642.84		20,662,769.90		19,263,827.02
- up to one year: Rs. 1,221,417,173.05 EUR 19,263,827.02 (12/31/2009: EUR 6,112,170.32)					
2. Payables to affiliated companies	1,494,596,889.09		21,783,951.16		21,503,992.01
- up to one year: Rs. 1,363,454,162.19 EUR 21,503,992.01 (12/31/2009: EUR 11,270,162.79)					
- of which Rs. 1,135,599,899.45 EUR 17,910,342.60 (12/31/2009: EUR 7,276,089.67) to shareholders					
- of which Rs. 74,417,940.41 EUR 1,173,697.54 (12/31/2009: EUR 727,748.79) from Trade Payables					
3. Other liabilities	26,669,789.67		388,715.78		1,159,917.39
- up to one year: Rs. 73,544,214.14 EUR 1,159,917.39 (12/31/2009: EUR 1,628,189.60)					
- of which Rs. 16,487,376.49 EUR 260,033.98 (12/31/2009: EUR 345,130.64) taxes					
- of which Rs. 85 215.92 EUR 1,344.00 (12/31/2009: EUR 1,449.00) relating to social security					
		2,938,939,321.60		42,835,436.84	41,927,736.42
Total		**8,964,541,927.31**		**130,659,407.19**	**123,663,189.52**

Notes for the fiscal Year 2011 of

CDP Bharat Forge GmbH, Ennepetal

General notes relating to annual accounts

The annual accounts for the fiscal year 2011 were prepared on the basis of the provisions of §§ 242 – 256a HGB and §§ 264 – 288 HGB.

For the profit & loss account the total cost format was selected (§ 275 paragraph 2 HGB).

Accounting and valuation principles

Purchased **intangible assets** are valued at their acquisition costs. In the case of assets only used for a limited period of time the acquisition costs have been reduced by scheduled depreciation. Since 01.01.2009 a period of three years has regularly been adopted as operating life unless the type of the asset required a different period of time.

Tangible assets are generally valued at their acquisition or manufacturing costs less scheduled depreciation for wear and tear. The manufacturing costs of self-produced plant includes besides directly allocable costs also prorated overheads, but excluding cost components that do not have to be capitalised in accordance with tax requirements.

Since 2010 the straight-line method of depreciation has been used for asset additions. Low-value items, i.e. items, the acquisition or manufacturing costs of which do not exceed EUR 150, are fully depreciated in their year of acquisition or manufacture. If the acquisition or manufacturing costs of an individual asset amount to more than EUR 150, but no more than EUR 1,000 it is included in a collective item shown as asset addition. One fifth of such collective item is released and debited to the profit & loss account in its year of creation and during each of the following four fiscal years.

During the fiscal year 2011 the residual operating lives of assets that had been extended during 2009 and 2010 owing to the prevailing underutilisation were restored to the term applicable prior to the extension.

Financial assets are shown at their acquisition costs.

In so far as the value of tangible assets ascertained on the basis of the above-mentioned principles is above the value attributable to these assets as of the balance sheet date non-scheduled depreciation or value adjustments have been applied accordingly.

Stocks are valued at their acquisition or manufacturing costs taking into account permissible valuation simplification methods or at a lower value that may be applicable. Manufacturing costs in addition to directly allocable costs include production overheads and material handling overheads, but excluding cost components that do not have to be capitalised in accordance with tax requirements. Interest on borrowings is also not included. Administrative overheads are only taken into account in conjunction with the calculation of the production costs to the extent that they are production-related. Storage and marketability risks are reflected by the application of adequate value adjustments. Sales and administration overheads have not been included in the loss-free valuation of consignment stock.

Receivables and other accounts receivable are valued at their face value taking into account value adjustments in respect of apparent individual risks. The general credit risk is reflected in a lump-sum value adjustment.

Accruals are generally payments made prior to the balance sheet date representing expenditure for a specific period after this date.

Provisions cover all apparent liabilities and risks. They are generally valued at the amount payable on the basis of a reasonable commercial assessment. Medium- and long-term liabilities have been discounted in accordance with § 253 paragraph 2 sentence 1 HGB.

The value of the **pension obligations** is actuarially calculated in accordance with the projected unit credit method on the basis of the tables by Dr. Klaus Heubeck 2005 G and the following assumptions:

- Technical rate of interest:	5.13 % p.a.
- Expectancy trend:	2.00 % p.a.
- BBG trend:	2.00 % p.a.
- Pension trend:	2.00 % p.a.
- Fluctuation:	1.00 % p.a.

The amount of the pension obligations not yet accrued in accordance with Article 67 EGHGB (Allocation of the adjustment amount resulting from changed valuation in accordance with BilMoG) totals TEUR 1,343.

The obligation resulting from work associated with progressive retirement was offset at the present value required for the solvency protection of employee pension claims associated with progressive retirement and shown as a net value.

Payables are shown at their repayment values.

Short-term **currency receivables or payables** are shown at their values as of the balance sheet date.

Notes relating to balance sheet

Breakdown and movement of the **fixed assets** may be seen from the enclosed fixed-asset movement schedule.

CDP Bharat Forge GmbH, Ennepetal
Assets analysis as at 31st December, 2011

		Historical acquisition or manufacturing costs					Accumulated depreciation				Book value	
		1/1/2011	Additions	Disposals	Transfers	12/31/2011	1/1/2011	Additions	Disposals	12/31/2011	12/31/2011	12/31/2010
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**											
	Concessions, trade mark rights and similar rights and values, licenses	909,366.68	216,440.22	388.94	5,922.50	1,131,340.46	609,050.68	174,223.72	388.94	782,885.46	348,455.00	300,316.00
		909,366.68	216,440.22	388.94	5,922.50	1,131,340.46	609,050.68	174,223.72	388.94	782,885.46	348,455.00	300,316.00
II.	**Tangible assets**											
	1. Land, land rights and Buildings, including buildings on third party land	8,456,679.29	132,048.64	-	230,876.16	8,819,604.09	2,591,720.63	479,657.80	-	3,071,378.43	5,748,225.66	5,864,958.66
	2. Technical equipment and machinery	20,490,995.19	73,800.00	-	-	20,564,795.19	14,286,092.19	1,367,438.00	-	15,653,530.19	4,911,265.00	6,204,903.00
	3. Other plant, factory and office equipment	20,394,244.91	3,713,784.76	296,773.21	242,096.72	24,053,353.18	13,897,981.91	3,191,312.48	156,515.21	16,932,779.18	7,120,574.00	6,496,263.00
	4. Prepayments on tangible assets and construction in progress	1,165,271.70	1,295,687.77	-	(478,895.38)	1,982,064.09	-	-	-	-	1,982,064.09	1,165,271.70
		50,507,191.09	5,215,321.17	296,773.21	(5,922.50)	55,419,816.55	30,775,794.73	5,038,408.28	156,515.21	35,657,687.80	19,762,128.75	19,731,396.36
III.	**Financial Assets**											
	1. Shares in affiliated companies	62,089,862.45	-	-	-	62,089,862.45	-	-	-	-	62,089,862.45	62,089,862.45
	2. Loans to affiliated companies	4,345,000.00	-	1,000,000.00	-	3,345,000.00	-	-	-	-	3,345,000.00	4,345,000.00
	3. Investments	4,375.00	-	-	-	4,375.00	-	-	-	-	4,375.00	4,375.00
	4. Loans to associated companies	35,000.00	-	-	-	35,000.00	-	-	-	-	35,000.00	35,000.00
	5. Security investments		-	-	-	-	-	-	-	-	-	-
		66,474,237.45	-	1,000,000.00	-	65,474,237.45	-	-	-	-	65,474,237.45	66,474,237.45
		117,890,795.22	5,431,761.39	1,297,162.15	-	122,025,394.46	31,384,845.41	5,212,632.00	156,904.15	36,440,573.26	85,584,821.20	86,505,949.81

The **financial assets** consist of shares in and loans to Bharat Forge Holding GmbH, Hagen, Talbahn GmbH, Ennepetal, Bharat Forge Daun GmbH, Daun, BF New Technologies GmbH, Mühlheim and Bharat Forge Beteiligungs GmbH, Ennepetal.

In 2011 Bharat Forge Kilsta AB repaid the loan of TEUR 1,000. Bharat Forge America received loans totalling TUSD 1,700 (TEUR 1,314).

Of the **other provisions** the main ones are in conjunction with personnel for the ERA structure component (TEUR 956), flexitime credits (TEUR 1,002), working time associated with partial retirement (TEUR 411) and anniversary bonuses (TEUR 338).

Setoffs of assets and liabilities in accordance with § 246 paragraph 2 sentence 2 HGB were made as follows:

- Pension provisions: The value of individual pension provisions amounts to TEUR 0 following a setoff against the reimbursement fund of the reinsurance policies amounting to TEUR 54.

- Provisions for time associated with progressive retirement: The present values of the assets offset amount to TEUR 1,027 and the acquisition cost to TEUR 1,044. The repayment amounts of the liabilities to be offset amount to TEUR 1,438.

Payables for goods and services are secured by a trade-customary retention of title.

There were no payables with a residual term of more than five years as of the balance sheet date.

Other financial payables consist of rental payments of TEUR 250 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 343, of which TEUR 178 will fall due within 2012.

Notes relating to profit & loss account

Turnover

The geographical breakdown of the turnover is as follows:

Turnover distribution by region	**2011**	**2010**
	TEUR	TEUR
Germany	**69,603**	**61,385**
Other countries	**103,054**	**60,611**
Thereof in Europe	79,754	40,009
Thereof in USA	20,236	17,323
Thereof in Australia	907	635
Thereof in rest of the world	2,157	2,644
TOTAL	**172,657**	**121,996**

Income unrelated to accounting period

The income unrelated to accounting period is substantially in respect of liabilities written off in previous periods (€ 0.8 million).

Currency conversion

Income from currency conversions amounts to TEUR 17 and losses from currency conversions amount to TEUR 45.

Extraordinary expenses are in respect of losses from thefts in a field warehouse in the USA (EUR 0.7 million) as well as the provisioning adjustment for pensions spread over several years (EUR 0.1 million) in accordance with the changes required by the Bilanzmodernisierungsgesetz (Accounting Modernisation Act) in 2010.

Other information

Deferred taxes:

Deferred taxes are the result of the following temporary differences between valuations in the commercial accounts and the tax accounts as well as losses brought forward:

	Differences		Possible deferred
	positive	negative	Taxes
	TEUR	TEUR	TEUR
Provisions			
Pensions	217		67
Others	407		125
Reimburesements regarding Partail Retirement arrangements		70	-22
Losses brought forward	7,350		2,217
	7,974	70	2,387

The losses brought forward shown represent the average of the losses brought forward for corporation tax and trade tax purposes. The calculation of the deferred taxes is based on a tax rate of 15% for trade tax and 15.825% for corporation tax / solidarity surcharge.

The average personnel structure is shown in the summary below:

Workers	351
Salaried employees	122
Trainees	26
Total number of employees	**499**

Directors of CDP Bharat Forge GmbH in 2011:

- Dr. Arndt Lassmann, merchant, Düsseldorf
- Michael Kasperski, merchant, Cologne
- Martin von Werne, engineer, Ennepetal

The earnings of the management amounted to TEUR 907.

The pension provisions for former directors amounted to TEUR 561 as of 31.12.2011. The amount of the pension provisions not yet accrued in accordance with Article 67 EGHGB (Allocation of adjustment amount resulting from changed valuation in accordance with BilMoG) totals TEUR 212 for the aforementioned group of persons.

In 2011 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Prakash C. Bhalerao,
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Mr. Praveen K. Maheshwari und
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau

In 2011 the members of the advisory board received remuneration totalling TEUR 78.

Shareholdings

	Equity Capital	Share-Holding	Last Result
	TEUR	%	TEUR
Bharat Forge Holding GmbH	2,183	100	699
Bharat Forge Daun GmbH	3,587	100	1,515 *)
BF New Technologies GmbH	1,575	100	- 2,761*)
Talbahn GmbH	39	35	8 (2010)
Bharat Forge Beteiligungs-GmbH	57,241	100	- 193

*) Before profit/loss transfer to CDP Bharat Forge GmbH

Bharat Forge Ltd., Mundhwa/Pune, India, is the parent company, which prepares the group accounts for most of the group companies. In so far as a disclosure of these accounts is required they may be inspected at the "Registrar of Companies" in Maharashtra, India. CDP Bharat Forge GmbH, Ennepetal, is the parent company, which prepares the group accounts for the remaining group companies.

Ennepetal, 24.02.2012

CDP Bharat Forge GmbH

Dr. Arndt Laßmann Michael Kasperski Martin von Werne

Bharat Forge Holding GmbH

Managing Director	***Registered Office***	***Auditors***
Dr. Arndt LaBmann	Mittelstrasse 64 58256 Ennepetal Germany	WuP Truehand EmbH Wirtschaftsprufungsgesellschaft Feithstrasse 177 58097 Hagen Germany

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Bharat Forge Holding GmbH, Ennepetal, for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Hagen, April 16th, 2012

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance Sheet as at December 31st 2011

A S S E T S

	Rs.		EUR		As at 31/12/2010 EUR
A. Fixed Assets					
Financial assets					
1. Shares in affiliated companies	129,322,609.59		1,884,894.47		1,884,894.47
2. Loans to affiliated companies	110,812,390.41		1,615,105.53		1,615,105.53
		240,135,000.00		3,500,000.00	3,500,000.00
B. Current assets					
I. Accounts receivable and other assets					
1. Receivables from affiliated companies of which EUR 0.00 (12/31/2010: EUR 0.00) due after one year	175,066,213.21		2,551,613.66		1,673,457.18
2. Other assets of which EUR 0.00 (12/31/20010: EUR 0.00) due after one year	3,129,782.37		45,617.00		233,280.29
		178,195,995.58		2,597,230.66	1,906,737.47
II. Cash on hands, bank balances					
		9,593,942.82		139,833.01	24,433.73
Total		427,924,938.40		6,237,063.67	5,431,171.20

E Q U I T Y A N D L I A B I L I T I E S

	Rs.		EUR		As at 31/12/2010 EUR
A. Equity					
I. Share Capital	1,715,250.00		25,000.00		25,000.00
II. Capital reserves	13,722,000.00		200,000.00		200,000.00
III. Profit/Loss brought forward	86,398,629.96		1,259,271.68		1,175,167.39
IV. Net loss/income for the year	47,971,855.40		699,196.26		84,104.29
		149,807,735.36		2,183,467.94	1,484,271.68
B. Accruals					
1. Tax provisions	4,564,127.94		66,522.78		0.00
2. Other Provisions	504,283.50		7,350.00		7,798.70
		5,068,411.44		73,872.78	7,798.70
C. Liabilities					
Payables to affiliated companies up to one year: Rs. 246,876,517.74 EUR 3.598.258,53 (12/31/2010: EUR 3.598.258,53)		273,048,791.60		3,979,722.95	3,939,100.82
Total		427,924,938.40		6,237,063.67	5,431,171.20

Bharat Forge Holding GmbH, Ennepetal

Profit and Loss Account for the period from January 1st to December 31st 2011

	Rs.	Rs.	EUR	EUR	Previous Year EUR
1. Other operating income		-		-	-
2. Other operating expenses		(522,803.40)		(7,619.93)	(8,974.40)
		(522,803.40)		(7,619.93)	(8,974.40)
3. Income from investment thereof Rs. 53,047,641.72 EUR 773,176.53 (2010: EUR 146,955.56) from affiliated companies	53,047,641.72		773,176.53		146,955.56
4. Other interest and similar income thereof Rs. 10,168,266.15 EUR 148,203.85 (2010: EUR 119,501.69) from affiliated companies	10,168,266.15		148,203.85		119,501.69
5. Interest and similar expenses thereof Rs. 2,295,004.50 EUR 33.450,00 (2010: EUR 33.450,00) to affiliated companies	2,295,004.50		33,450.00		33,450.00
		60,920,903.37		887,930.38	233,007.25
6. Results from ordinary business operations		**60,398,099.97**		**880,310.45**	**224,032.85**
7. Taxes on income		(12,426,244.57)		(181,114.19)	(139,928.56)
8. Net income/ loss for the year		**47,971,855.40**		**699,196.26**	**84,104.29**

Notes for the financial year 2011 of

Bharat Forge Holding GmbH, Ennepetal

General information about the statement of accounts

The statement of accounts for the financial year 2011 was prepared in accordance with §§ 242 – 256a and §§ 264 – 288 of the German Commercial Code (HGB).

The Total Cost Method (§ 275 Section 2 HGB) was selected for the profit and loss statement.

Balance sheet and valuation principles

Shares in and loans receivables to affiliated companies were valued at cost price.

Receivables from affiliated companies and other assets were also valued at cost price.

The **provisions** are calculated at their prospective amount repayable due to reasonable commercial assessment. They include all identifiable risks and obligations.

Liabilities have been stated at the amounts repayable.

Information on the balance sheet

The **financial assets** consisted of shares and loans receivables regarding Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf.

There are no **liabilities** which were due after more than five years.

The **accounts payable due to affiliated companies** comprise only accounts payable to shareholders.

Information on the profit and loss statement

The **income from investment** only includes amounts of the subsidiary Bharat Forge Aluminiumtechnik GmbH & Co. KG for the year 2010, credited in 2011.

Other information

Managing Director in 2011 were

Dr. Arndt Laßmann, Businessman, Düsseldorf.

Shares in affiliated companies

	Shares	Equity 31.12.2011	Results 2011
	%	TEUR	TEUR
Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf	100	5.817	817

Consolidated financial accounts

Bharat Forge Ltd., Pune, India is the parent company that prepares the consolidated accounts for the largest circle of companies. In the event of disclosure this will take place at the „Register of Companies“ in Maharashtra, Pune, India.

CDP Bharat Forge GmbH, Ennepetal is the parent company that prepares the consolidated accounts for the smallest circle of companies. In the event of disclosure this will take place at the E-Bundesanzeiger.

Ennepetal, March 29th ,2012

Bharat Forge Holding GmbH

Dr. Arndt Laßmann

Managing Director

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Managing Director
Dr. Ing. Peter Hopp

Registered Office
Berthelsodorfer StraBe 8
09618 Brand-Erbisdorf
Germany

Auditors
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. G. K. Agarwal
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos
Dr. Hans-Peter Coenen

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Bharat Forge Aluminiumtechnik GmbH & Co. KG for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, February 10th, 2012

W U P Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Störring)
Wirtschaftsprüfer
(German Public Auditor)

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Profit and Loss Account for the period from January 1 to December 31, 2011

	Rs.	Rs.	EUR	EUR	*Previous Year* EUR
1. Sales		1,997,028,904.33		29,106,965.52	27,654,982.17
2. Increase or decrease in finished goods and work-in-progress		121,626,242.36		1,772,718.88	534,271.08
		2,118,655,146.69		30,879,684.40	28,189,253.25
3. Other operating income		78,165,416.93		1,139,271.49	208,494.10
of which Currency Translation Rs. 9,391,580.37					
EUR 136,883.55 (2010: EUR 27,339.88)					
		2,196,820,563.62		32,018,955.89	28,397,747.35
4. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	1,355,510,874.10		19,756,753.74		16,893,597.36
b) Cost of purchased services	180,474,768.33		2,630,444.08		1,981,803.54
		1,535,985,642.43		22,387,197.82	18,875,400.90
5. Personnel expenses					
a) Wages and salaries	245,891,725.48		3,583,905.05		3,430,364.05
b) Social security contributions and pension expenses thereof Rs. 3,566,235.28 EUR 51,978.36 (2010: EUR 42,728.76) for pension expenses	48,754,030.67		710,596.57		664,591.86
6. Depreciation and amortization on intangible fixed assets and tangible assets	67,594,856.05		985,204.14		901,496.55
7. Other operating expenses	217,394,153.75		3,168,549.10		3,334,485.80
of which Currency Translation Rs. 767,908.51					
EUR 11,192.37 (2010: EUR 17,221.31)					
		579,634,765.95		8,448,254.86	8,330,938.26
		81,200,155.24		1,183,503.21	1,191,408.19
8. Other interest and similar income	82,700.44		1,205.37		2,075.10
9. Interest and similar expenses	18,808,940.94		274,142.85		147,792.37
of which to affiliated companies: Rs. 10,283,231.81					
EUR 149,879.49 (12/31/2010: EUR 120,764.76)					
of which from compounding accruals: Rs. 447,199.98					
EUR 6,518.00 (12/31/2010: EUR 7,540.00)					
		(18,726,240.50)		(272,937.48)	(145,717.27)
10. Results from ordinary business operations		**62,473,914.74**		**910,565.73**	**1,045,690.92**
11. Extra Ordinary Expenses		-		-	24,857.00
		62,473,914.74		910,565.73	1,020,833.92
11. Taxes on income and profits	3,224,670.00		47,000.00		228,744.25
12. Other taxes	1,165,589.90		16,988.63		18,913.14
		4,390,259.90		63,988.63	247,657.39
13. Net income for the year		**58,083,654.84**		**846,577.10**	**773,176.53**

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Balance Sheet as at December 31, 2011

ASSETS	Rs.		EUR		As at 31/12/2010 EUR
A. Fixed Assets					
I. Intangible assets					
1 Concessions, trade mark rights and similar rights and values, licenses	7,429,022.19		108,279.00		204,341.00
2 Prepayments	-		-		-
		7,429,022.19		108,279.00	204,341.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	197,673,289.17		2,881,114.84		1,546,813.84
2. Technical equipment and machinery	555,707,243.88		8,099,508.00		2,263,984.00
3. Other plant, factory and office equipment	53,386,538.76		778,116.00		538,961.00
4. Prepayments on tangible assets and construction in progress	28,793,814.62		419,673.73		166,427.85
		835,560,886.43		12,178,412.57	4,516,186.69
III. Financial assets					
Shares in affiliated companies		1,753,986.52		25,564.59	25,564.59
		844,743,895.14		12,312,256.16	4,746,092.28
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	192,435,358.21		2,804,771.29		1,445,600.32
2. Work in progress	109,580,303.01		1,597,147.69		449,399.39
3. Finished goods and merchandise	126,346,338.67		1,841,514.92		1,216,544.34
	428,361,999.89		6,243,433.90		3,111,544.05
II. Accounts receivable and other assets					
1. Trade receivables	382,701,385.54		5,577,924.29		2,418,070.92
- of which EUR 0.00 (12/31/2010: EUR 0.00) due after one year					
2. Receivables from affiliated companies	4,116,600.00		60,000.00		50,150.00
- of which EUR 0.00 (12/31/2010: EUR 0.00) due after one year					
3 Other assets	110,866,261.61		1,615,890.71		476,072.14
- of which EUR 0.00 (12/31/2010: EUR 51,883.00) due after one year					
	497,684,247.15		7,253,815.00		2,944,293.06
III. Cash on hands, bank balances	15,313,109.12		223,190.63		3,364,561.97
		941,359,356.16		13,720,439.53	9,420,399.08
C. Prepaid expenses		3,835,684.59		55,905.62	91,080.04
Total		**1,789,938,935.89**		**26,088,601.31**	**14,257,571.40**

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Balance Sheet as at December 31, 2011

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2010 EUR
A. Equity					
I. Capital of general partner	-		-		-
II. Capital of limited partner	90,733,737.03		1,322,456.45		1,322,456.45
III. Retained income	252,316,262.97		3,677,543.55		3,677,543.55
IV. Net income for the year	58,083,654.83		846,577.10		773,176.53
		401,133,654.83		5,846,577.10	5,773,176.53
V. Silent Partnership		356,046.11		5,189.42	5,971.54
B Adjustments for shares held in the own general partner		1,753,986.52		25,564.59	25,564.59
C Special item for investment grants		91,121,489.88	1,328,108.00	1,328,108.00	-
D Provisions & Accruals					
1. Accruals for pensions and similar obligations	0.00		0.00		0.00
2. Tax accruals	8,198,895.00		119,500.00		72,500.00
3. Other accruals	118,227,954.75		1,723,188.38		1,651,016.00
		126,426,849.75		1,842,688.38	1,723,516.00
E Liabilities					
1. Liabilities to banks	410,293,024.65		5,980,076.15		-
- of which up to one year:					
Rs. 242,211,247.69 EUR 3,530,261.59 (12/31/2010: EUR 0.00)					
2. Trade payables	346,333,288.33		5,047,854.37		1,635,143.24
- of which up to one year: Rs. 346,333,288.33					
EUR 5,047,854.37 (12/31/2010: EUR 1,635,143.24)					
3. Payables to affiliated companies	-		-		32,492.95
- of which up to one year:					
EUR 0.00 (12/31/2010: EUR 32,492.95)					
4 Liabilities to limited partner	383,089,366.17		5,583,579.16		4,700,802.87
- of which up to one year: Rs. 179,633,885.54					
EUR 2,618,188.10 (12/31/2010: EUR 1,735,411.81)					
5 Other liabilities	29,431,229.65		428,964.14		360,903.68
- of which taxes: Rs. 7,099,280.47 EUR 103,472.97					
(12/31/2010: EUR 232,274.45)					
- of which related to social security: Rs. 385,900.38					
EUR 5,624.55 (12/31/2010: EUR 4,440.58)					
- of which upto one year: Rs. 20,193,737.05					
EUR 294,326.44 (12/31/2010: EUR 360,903.68)					
		1,169,146,908.80		17,040,473.82	6,729,342.74
Total		**1,789,938,935.89**		**26,088,601.31**	**14,257,571.40**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2011

A. GENERAL NOTES ON THE FINANCIAL STATEMENTS

The financial statements for the financial year from 01.01. to 31.12.2011 were prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch = HGB). For the profit and loss account the total cost method (Section 275 para. 2 HGB) was selected.

B. ACCOUNTING AND VALUATION PRINCIPLES

The composition and development of the fixed assets can be seen in the assets analysis as per 31.12.2011 shown on page 5 of the notes.

The intangible assets are assessed at acquisition cost less regular straight line depreciation.

The other tangible assets are principally recognized at acquisition costs and/or manufacturing costs. For depreciable moveable assets, the regular straight line method of depreciation is applied. Depreciation on additions is determined on a pro rata temporis basis.

Low-value fixed assets with acquisition costs up to EUR 150 within the meaning of Section 6 para. 2 of the Income Tax Act (EStG) are fully written off within the financial year. Low-value fixed assets with acquisition costs over EUR 150 but not more than EUR 1,000 within the meaning of Section 6 para. 2a EStG are compounded annually and depreciated with an asset life of five years.

Investment grants received or claimable are entered as liabilities in a special reserve for investment grants and written back according to the depreciation of the subsidized assets. The investment subsidy is shown as other operating income.

The financial assets were assessed at acquisition costs.

Stocks are assessed at acquisition and/or manufacturing costs by applying permissible simplified assessment procedures and/or at their lower market values. The manufacturing costs include directly attributable costs and also manufacturing and materials overhead costs, but exclude cost elements which do not have to be capitalised for tax purposes. Administrative costs are only included in the assessment of the manufacturing costs if caused through manufacturing. Storage and stock turnover risks were taken into account by means of appropriate deductions.

Trade receivables as well as other receivables are assessed at acquisition cost after suitable value adjustments.

The prepaid expenses include general expenditure before the reporting date, provided they represent expenditure for a certain time after this date.

Equity capital (limited liability capital and revenue reserves) is included at the nominal amount.

A pension promise has been made in the form of a contribution-based direct pledge. This pension promise is funded via a reinsurance policy in line with performance. The beneficiary is entitled to all opportunities and risks arising from the reinsurance, and the reinsurance has been pledged to him. The reinsured pension obligations are therefore pension obligations that are valued like securities-linked pension promises pursuant to Section 253 para. 1 sentence 3 HGB at the attributable fair value of the reinsurance (cf. Institute of Public Auditors in Germany - IDW RS HFA 30 TC 74).

Due to the pledging of the reinsurance, this is not available to all the other creditors, so that in accordance with Section 246 para. 2 sentence 2 HGB, the pension provision is to be set off against the asset value of the reinsurance. Consequently, according to Section 253 para. 1 sentence 4 HGB, the asset value of the reinsurance is to be assessed at the attributable fair value.

There is no active market for the reinsurance, so a market price in accordance with Section 255 para. 4 HGB cannot be determined. Also, there is not sufficient information available to determine the attributable fair value in accordance with Section 255 para. 4 sentence 2 HGB on the basis of recognized valuation principles. Therefore, the asset value of the reinsurance in accordance with Section 255 para. 4 sentence 3 HGB is assessed at the amortized acquisition costs. These acquisition costs correspond to the coverage capital including irrevocable profit participation (cf. IDW RS HFA 30 TZ 68). The pension provision is then recognized at the same amount.

The pension provision has been set off against the coverage capital of the reinsurance at the amount of EUR 76,371. Similarly, expenses and income have been set off in the financial result at the amount of EUR 1,919.

In the provisions, all recognizable obligations and risks are covered and are valued at their prospective settlement amount in accordance with reasonable commercial assessment. Anniversary payment provisions are valued according to the “projected unit credit method”, taking into account the mortality tables 2005 G by Dr. Klaus Heubeck and an interest rate of 5.14%. This takes into account a fluctuation probability of 3% for the first ten years of service and a flat 20% social security share. The provision for a restitution obligation as a result of changes made by the tenant is discounted in accordance with the restitution discount provision (Rückstellungsabzinsungsverordnung) with an interest rate in line with the term and assessed at the current value of the prospective settlement amount, taking into account the expected cost increases.

The liabilities are assessed at their repayment amounts.
Receivables and liabilities in foreign currency have been valued at the average spot exchange rate on the balance sheet date in accordance with Section 256a HGB.

C. NOTES ON THE BALANCE SHEET AND P&L STATEMENT

The breakdown and development of the fixed assets can be seen in the following assets analysis:

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Assets analysis as at 31st December, 2011

	Historical acquisition or manufacturing	Additions	Disposals	Reclassification	Accumulated Depreciation	Book value 31/12/2011	Book value 31/12/2010	Depreciation for the financial year 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets								
1 Concessions, trade mark rights and similar rights and values, licenses	1,794,170.28	12,038.69	-	-	1,697,929.97	108,279.00	204,341.00	108,100.69
2 Prepayments	-	-	-	-	-	-	-	-
	1,794,170.28	12,038.69	-	-	1,697,929.97	108,279.00	204,341.00	108,100.69
II. Tangible assets								
1. Land, land rights and Buildings, including buildings on third party land	1,992,481.06	1,329,469.89	-	86,465.54	527,301.65	2,881,114.84	1,546,813.84	81,634.43
2. Technical equipment and machinery	19,728,454.97	6,329,166.63	-	79,962.31	18,038,075.91	8,099,508.00	2,263,984.00	573,604.94
3. Other plant, factory and office equipment	2,606,778.11	461,019.08	-	-	2,289,681.19	778,116.00	538,961.00	221,864.08
4. Prepayments on tangible assets and construction in progress	166,427.85	419,673.73	-	(166,427.85)	-	419,673.73	166,427.85	-
	24,494,141.99	8,539,329.33	-	-	20,855,058.75	12,178,412.57	4,516,186.69	877,103.45
III. Financial Assets								
1. Shares in affiliated companies	25,564.59	-	-	-	-	25,564.59	25,564.59	-
	25,564.59	-	-	-	-	25,564.59	25,564.59	-
	26,313,876.86	**8,551,368.02**	**-**	**-**	**22,552,988.72**	**12,312,256.16**	**4,746,092.28**	**985,204.14**

The item "Other assets" includes accruals that do not legally exist until after the balance sheet date, investment subsidy claims at the amount of 685 T€ and claims for electricity tax refunds at the amount of 174 T€.

The deferred expenses contain payments which form expenditure in the subsequent year.

The principal other provisions and accruals constitute provisions for pending losses (200 TEUR), commission (597 TEUR), outstanding invoices (249 TEUR), guarantees (123 TEUR), management and staff bonus (166 TEUR) and anniversary bonus (140 TEUR).

Reconciliation with the balance sheet results in the following maturity structure for the liabilities:

	with a remaining term of			
	up to 1 year	1-5 years	over 5 years	total
	EUR	**EUR**	**EUR**	**EUR**
Liabilities to banks	3,530,261.59	1,981,064.56	468,750.00	5,980,076.15
Trade liabilities	5,047,854.37	0.00	0.00	5,047,854.37
Liabilities to affiliated companies	0.00	0.00	0.00	0.00
Liabilities to shareholders	2,618,188.10	2,965,391.06	0.00	5,583,579.16
Other liabilities	294,326.44	134,637.70	0.00	428,964.14
	11,490,630.50	5,081,093.32	468,750.00	17,040,473.82

The trade liabilities are secured by the usual retentions of title, and the liabilities to banks by the assignment of security. Furthermore, a subordination and non-call agreement has been concluded with the banks regarding the shareholder loan. In addition, the banks have received land charge deeds of € 1 million and a letter of responsibility from Bharat Forge Limited for another € 1 million as security. In the framework of a security pool contract towards several banks, a global assignment of trade liabilities and a storage assignment of the goods in stock continue to exist.

The item "Other liabilities" does not include any accruals that do not legally exist until after the balance sheet date.

D. OTHER NOTES

In the financial year 2011 the company employed on average 104 staff, including 77 trade staff plus 4 apprentices.

Operating lease liabilities until the end of the respective term amounted to 133 TEUR. The annual value of rent liabilities amounted to 188 TEUR.

The executive of the company is Bharat Forge Aluminiumtechnik Verwaltungs GmbH, represented by

Dr. Peter Hopp, Waldböckelheim, Engineer.

A declaration of the total remuneration of the members of the managing board was waived in accordance with Section 286 (4) HGB.

The personally liable shareholder is Bharat Forge Aluminiumtechnik Verwaltungs GmbH with its registered office in Brand-Erbisdorf. Bharat Forge Aluminiumtechnik GmbH & Co. KG holds all shares in this company. The subscribed capital of Bharat Forge Aluminiumtechnik Verwaltungs GmbH amounts to EUR 25,564.59, the equity capital EUR 66,711.55 and the profit EUR 4,049.03.

CDP Bharat Forge GmbH, Ennepetal is the parent company which draws up the consolidated financial statement for the smallest group of companies. In case of disclosure, the consolidated financial statement is available at the E-Federal Gazette.

Bharat Forge Ltd., Mundhwa/Pune, India is the parent company which draws up the consolidated financial statement for the largest group of companies. In case of disclosure, the consolidated financial statement is available at the “Registrar of Companies” in Maharashtra, Pune, India.

The company’s advisory board is made up of the following members:

Baba N. Kalyani, Pune,
Amit B. Kalyani, Pune,
Prakash Bhalerao, Pune,
Gopal K. Agarwal, Pune,
Prof. Dr. Uwe Loos, Stuttgart
Dr. Hans-Peter Coenen, Korntal-Münchingen
Eckard Rudau, Münster.

Brand-Erbisdorf, 31st January 2012

....

Dr. Peter Hopp
Managing Director

Bharat Forge Aluminiumtechnik Verwaltungs GmbH

Managing Director	***Registered Office***	***Auditors***
Dr. Ing. Peter Hopp	Berthelsodorfer StraBe 8 09618 Brand-Erbisdorf Germany	WuP Truehand EmbH Wirtschaftsprufungsgesellschaft Feithstrasse 177 58097 Hagen Germany

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of the company Bharat Forge Aluminiumtechnik Verwaltungs GmbH for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions in the articles of incorporation agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Hagen, February 10th, 2012

(Störring)	(Börstinghaus)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG
Balance Sheet as at December 31, 2011

ASSETS			As at 31/12/2010
	Rs.	**EUR**	EUR
A. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	**4,567,672.33**	**66,574.44**	61,954.63
2. Other assets	**11,724.75**	**170.89**	707.89
Total	**4,579,397.08**	**66,745.33**	62,662.52

EQUITY AND LIABILITIES					As at 31/12/2010
	Rs.	**Rs.**	**EUR**	**EUR**	EUR
A. Equity					
1. Share Capital	**1,753,986.50**		**25,564.59**		25,564.59
2. Profit brought forward	**2,545,288.98**		**37,097.93**		33,546.95
3. Net income for the year	**277,803.95**		**4,049.03**		3,550.98
		4,577,079.43		**66,711.55**	62,662.52
B. Accruals		**2,317.65**		**33.78**	-
Total		**4,579,397.08**		**66,745.33**	62,662.52

Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG
Profit and Loss Account for the period from January 1 to December 31 2011

	Rs.	EUR	Previous year EUR
1. Other operating income	**10,977.60**	**160.00**	160.00
2. Other operating expenses	**(10,977.60)**	**(160.00)**	(160.00)
3. Investment income	**214,955.13**	**3,133.00**	2,955.00
4. Other interest and similar income	**114,965.66**	**1,675.64**	1,263.07
5. Results from ordinary business operations	**329,920.79**	**4,808.64**	4,218.07
6. Taxes on income and profits	**(52,116.84)**	**(759.61)**	(667.09)
7. Net income for the year	277,803.95	4,049.03	3,550.98

The accounts receivable and other assets have been entered on the balance sheet at the acquisition costs. The equity capital was carried at the nominal amount. The accruals are shown at their prospective settlement amount.

The business activity in 2011 was exclusively the position as general partner for Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf. Bharat Forge Aluminiumtechnik Verwaltungs GmbH receives a reasonable remuneration for the personal liability.

The accounts receivable against affiliated companies relates with EUR 66,574.44 to the shareholder Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf.

Appointed as managing director of the company in 2011 was:

Dr.-Ing. Peter Hopp, Waldbockelheim.

CDP Bharat Forge GmbH, Ennepetal, is the parent company that prepares the consolidated accounts for the smallest circle of companies. In the event of disclosure the consolidated accounts can be obtained from the E-Bundesanzeiger.

Bharat Forge Ltd., Mundhwa/Pune, Indien, is the parent company that prepares the consolidated accounts for the largest circle of companies. In the event of disclosure the consolidated accounts can be obtained from the “Registrar of Companies“ in Maharashtra, Pune, India.

Brand-Erbisdorf, 31st January 2012

....

Dr. Ing. Peter Hopp
Managing Director

THIS PAGE INTENTIONALLY LEFT BLANK

Bharat Forge Daun GmbH

Managing Director
Mr. Martin von Werne

Registered Office
Junius-Saxler-StarB 4
D 54550 Daun
Germany

Auditors
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. G. K. Agarwal
Mr. S. G. Joglekar
Prof. Dr. Uwe Loos
Dr. Hans-Peter Coenen
Mr. Eckard Rudau

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Bharat Forge Daun GmbH for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hagen, April 16th, 2012

W U P Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Bharat Forge Daun GmbH

Profit and Loss Account for the period from January 1st to December 31st, 2011

	Rs.	Rs.	EUR	EUR	Previous Year EUR
1. Sales		722,051,893.86		10,524,003.70	9,116,123.46
2. Decrease in finished good inventories and work-in-process		11,051,345.46		161,074.85	101,624.80
3. Production for own plant and equipment capitalised		331,077.56		4,825.50	-
		733,434,316.88		10,689,904.05	9,217,748.26
4. Other operating income		8,447,599.39		123,124.90	119,582.28
		741,881,916.27		10,813,028.95	9,337,330.54
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	209,211,206.46		3,049,281.54		2,679,493.69
b) Cost of purchased services	63,532,137.54		925,989.47		719,589.77
		272,743,344.00		3,975,271.01	3,399,083.46
		469,138,572.27		6,837,757.94	5,938,247.08
6. Personnel expenses					
a) Wages and saleries	227,166,239.69		3,310,978.57		3,265,918.69
b) Social security contributions and pension expenses thereof Rs. 2,224,936.93 EUR 36,757.59 (2008: EUR 41,872.79) for pension expenses	51,960,028.46		757,324.42		635,573.92
		279,126,268.15		4,068,302.99	3,901,492.61
		190,012,304.12		2,769,454.95	2,036,754.47
7. Depreciation and amortization on intangible fixed assets and tangible assets		(27,105,778.09)		(395,070.37)	(193,976.71)
8. Other operating expenses		(55,283,647.80)		(805,766.62)	(925,268.19)
		107,622,878.23		1,568,617.96	917,509.57
9. Income from other investments and long term loans of which € 0,00 (2009: € 0,00) relating to affiliated companies		13,154.60		191.73	1,678.38
10. Other interest and similar income	0.00		0.00		0.00
11. Depreciation on financial assets	0.00		0.00		0.00
12. Interest and similar expenses	2,306,932.35		33,623.85		155,779.34
		2,306,932.35		33,623.85	155,779.34
13. Results from ordinary business operations		**105,329,100.48**		**1,535,185.84**	**763,408.61**
14. Extraordinary Income	-		-		67,575.44
15. Extraordinary Expenses	372,689.52		5,432.00		6,085.00
16. Extraordinary Result		(372,689.52)		(5,432.00)	61,490.44
17. Taxes on income	-		-		(18,455.09)
18. Other taxes	987,448.84		14,392.20		14,276.21
		987,448.84		14,392.20	(4,178.88)
19. Income from profit & loss transfer agreement		0.00		0.00	**0.00**
20. Expenses out of profit & loss transfer agreement		**103,968,962.12**		**(1,515,361.64)**	**(829,077.93)**
21. Net Income for the year		**0.00**		**0.00**	**0.00**

Bharat Forge Daun GmbH

Balance Sheet as at December 31st, 2011

ASSETS	Rs.		EUR		*As at 31/12/2010* EUR
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		1,319,095.86		19,226.00	354.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	86,179,580.19		1,256,079.00		1,324,298.00
2. Technical equipment and machinery	35,952,188.88		524,008.00		363,102.00
3. Other plant, factory and office equipment	23,069,769.45		336,245.00		433,320.00
4. Prepayments on tangible assets and construction in progress	17,283,162.94		251,904.43		-
		162,484,701.46		2,368,236.43	2,120,720.00
		163,803,797.32		2,387,462.43	2,121,074.00
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	48,324,295.36		704,333.12		619,561.25
2. Work in progress	29,305,431.15		427,130.61		335,520.14
3. Finished goods and merchandise	478,298.83		6,971.27		6,986.11
	78,108,025.34		1,138,435.00		962,067.50
II. Accounts receivable and other assets					
1. Trade receivables	5,211,348.02		75,956.10		163,589.35
- of which EUR 0.00 (12/31/2010: EUR 0.00) due after one year					
2. Receivables from affiliated companies	120,314,994.11		1,753,607.26		2,598,015.45
- of which EUR 0.00 (12/31/2010: EUR 0.00) due after one year					
- of which Rs. 118,713,568.10 EUR 1,730,266.26 (12/31/2010: EUR 2,555,776.40) to shareholders					
of which Rs. 118,713,568.10 EUR 900,136.15 (12/31/2010: EUR 1,206,190.49) trade receivables					
3 Other assets	5,547,303.06		80,852.69		120,674.05
- of which EUR 0.00 (12/31/2008: EUR 0.00) due after one year					
	131,073,645.19		1,910,416.05		2,882,278.85
		209,181,670.53		3,048,851.05	3,844,346.35
III. Accounts receivable and other assets		115,433.57		1,682.46	1,490.73
C. Prepaid expenses		2,980,928.86		43,447.44	275.33
		376,081,830.28		**5,481,443.38**	**5,967,186.41**

Bharat Forge Daun GmbH

Balance Sheet as at December 31st, 2011

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2010 EUR
A. Equity					
I. Share Capital		3,430,500.00		50,000.00	50,000.00
II. Capital reserves		102,915,000.00		1,500,000.00	1,500,000.00
III. Profit/loss brought forward		139,776,486.13		2,037,261.13	2,037,261.13
IV. Net income for the year		-		-	-
		246,121,986.13		3,587,261.13	3,587,261.13
B. Accruals					
1. Accruals for pensions and similar obligations	16,237,242.60		236,660.00		207,094.00
2. Tax accruals	1,955,385.00		28,500.00		28,500.00
3. Other accruals	50,273,808.03		732,747.53		921,228.17
		68,466,435.63		997,907.53	1,156,822.17
C. Liabilities					
1. Liabilities to banks	1,002.39		14.61		695,564.13
- up to one year: Rs. 1,002.39 EUR 14.61 (12/31/2010: EUR 695,564.13)					
2. Customer Advances	13,358,367.00		194,700.00		-
- up to one year: Rs. 13,358,367.00 EUR 194,700.00 (12/31/2010: EUR 0.00)					
3. Trade payables	43,627,537.44		635,877.24		454,547.73
- up to one year: Rs. 43,627,537.44 EUR 635,877.24 (12/31/2010: EUR 454,547.73)					
4. Payables to affiliated companies	2,471,317.79		36,019.79		36,542.62
- up to one year: Rs. 2,471,317.79 EUR 36,019.79 (12/31/2010: EUR 36,542.62)					
5. Other liabilities	2,035,183.90		29,663.08		36,448.63
- up to one year: Rs. 2,035,183.90 EUR 29,663.08 (12/31/2010: EUR 36,448.68)					
- of which Rs. 2,009,180.73 EUR 29,284.08 (12/31/2010: EUR 36,250.63) relating to taxes					
- of which EUR 0.00 (12/31/2010: EUR 0.00) relating to social security					
		61,493,408.52		896,274.72	1,223,103.11
		376,081,830.28		**5,481,443.38**	**5,967,186.41**

Notes for the fiscal Year 2011 of Bharat Forge Daun GmbH, Daun

General notes relating to annual accounts

The annual accounts for the fiscal year 2011 were prepared on the basis of the provisions of §§ 242 – 256a HGB and §§ 264 – 288 HGB.

For the profit & loss account the total cost format was selected (§ 275 paragraph 2 HGB).

Accounting and valuation principles

Purchased **intangible assets** are valued at their acquisition costs. In the case of assets only used for a limited period of time the acquisition costs have been reduced by scheduled depreciation. Since 01.01.2009 a period of three years has regularly been adopted as operating life unless the type of the asset required a different period of time.

Tangible assets are generally valued at their acquisition or manufacturing costs less scheduled depreciation for wear and tear. The manufacturing costs of self-produced plant includes besides directly allocable costs also prorated overheads, but excluding cost components that do not have to be capitalised in accordance with tax requirements.

Depreciation is based on the straight-line method of depreciation. Low-value items, i.e. items, the acquisition or manufacturing costs of which do not exceed EUR 150, are fully depreciated in their year of acquisition or manufacture. If the acquisition or manufacturing costs of an individual asset amount to more than EUR 150, but no more than EUR 1,000 it is included in a collective item shown as asset addition. One fifth of such collective item is released and debited to the profit & loss account in its year of creation and during each of the following four fiscal years.

In so far as the value of tangible assets ascertained on the basis of the above-mentioned principles is above the value attributable to these assets as of the balance sheet date non-scheduled depreciation or value adjustments have been applied accordingly.

During the fiscal year 2011 the residual operating lives of assets that had been extended during 2009 and 2010 owing to the prevailing underutilisation were restored to the term applicable prior to the extension.

Stocks are valued at their acquisition or manufacturing costs taking into account permissible valuation simplification methods or at a lower value that may be applicable. Manufacturing costs in addition to directly allocable costs include production overheads and material handling overheads, but excluding cost components that do not have to be capitalised in accordance with tax requirements. Interest on borrowings is also not included. Administrative overheads are only taken into account in conjunction with the calculation of the production costs to the extent that they are production-related. Storage and marketability risks are reflected by the application of adequate value adjustments.

Receivables and other accounts receivable are valued at their acquisition costs taking into account value adjustments in respect of apparent individual risks. The general credit risk is reflected in a lump-sum value adjustment.

Accruals are generally payments made prior to the balance sheet date representing expenditure for a specific period after this date.

Provisions cover all apparent liabilities and risks. They are generally valued at the amount payable on the basis of a reasonable commercial assessment. Medium- and long-term liabilities have been discounted in accordance with § 253 paragraph 2 sentence 1 HGB.

The value of the **pension obligations** is actuarially calculated in accordance with the projected unit credit method on the basis of the tables by Dr. Klaus Heubeck 2005 G and the following assumptions:

- Technical rate of interest:	5.13 % p.a.
- Expectancy trend:	0.00 % p.a.
- BBG trend:	0.00 % p.a.
- Pension trend:	2.00 % p.a.
- Fluctuation:	1.00 % p.a.

The amount of the pension provisions not yet accrued in accordance with Article 67 EGHGB (Allocation of adjustment amount resulting from changed valuation in accordance with BilMoG) totals TEUR 71.

The obligation resulting from work associated with progressive retirement was offset at the present value required for the solvency protection of employee pension claims associated with progressive retirement and shown as „Surplus from asset and liability statement“.

Payables are shown at their repayment values.

Short-term currency receivables or payables are shown at their values as of the balance sheet date.

Notes relating to balance sheet

Breakdown and movement of the **fixed assets** may be seen from the enclosed fixed-asset movement schedule.

Assets analysis as at 31st December, 2011

	Historical acquisition or manufacturing costs				Depreciation				Boo
	1/1/2011	Additions	Disposals	12/31/2011	1/1/2011	Additions	Disposals	12/31/2011	12/3
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	E
ndustrial & similar rights and aasets									
& assets	52,209.77	22,366.67	-	74,576.44	51,855.77	3,494.67	-	55,350.44	1
	52,209.77	22,366.67	-	74,576.44	51,855.77	3,494.67	-	55,350.44	1
ings, including									
d	1,683,562.75	-	-	1,683,562.75	359,264.75	68,219.00	-	427,483.75	1,25
machinery	2,341,701.23	352,498.23	-	2,694,199.46	1,978,599.23	191,592.23	-	2,170,191.46	52
fice equipment	1,093,957.44	34,689.47	1,916.48	1,126,730.43	660,637.44	131,764.47	1,916.48	790,485.43	33
onstruction in progress	-	251,904.43	-	251,904.43	-	-	-	-	25
	5,119,221.42	639,092.13	1,916.48	5,756,397.07	2,998,501.42	391,575.70	1,916.48	3,388,160.64	2,36
	5,171,431.19	**661,458.80**	**1,916.48**	**5,830,973.51**	**3,050,357.19**	**395,070.37**	**1,916.48**	**3,443,511.08**	**2,38**

Of the **other provisions** the main ones are in conjunction with personnel for the ERA structure component (TEUR 355), flexitime credits (TEUR 70) and anniversary bonuses (TEUR 59).

Setoffs of assets and liabilities in accordance with § 246 paragraph 2 sentence 2 HGB were made in conjunction with provisions for work associated with progressive retirement. The present values of the assets offset amount to EUR 166 and the acquisition cost to EUR 169. The repayment amounts of the liabilities to be offset amount to EUR 123.

Payables to banks are secured by land charges amounting to TEUR 1,000.

Payables for goods and services are secured by a trade-customary retention of title.

There were no payables with a residual term of more than five years as of the balance sheet date.

Other financial payables consist of rental payments of TEUR 28 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 17, of which TEUR 10 will fall due within 2012.

Notes relating to profit & loss account

The geographical breakdown of the turnover is as follows:

Turnover distribution by region	**2011**	**2010**
	TEUR	TEUR
Germany	**10,512**	**8,931**
Other countries	**12**	**166**
Thereof in Europe	12	166
Thereof in rest of the world	0	19
TOTAL	**10,524**	**9,116**

Currency conversion

No profits or losses were incurred as a result of currency conversion.

Other information

The average personnel structure is shown in the summary below

	Daun
Workers	55
Salaried employees	17
Trainees	11
Total number of employees	**83**

Directors of Bharat Forge Daun GmbH in 2011:

- Martin von Werne, Ennepetal

With reference to § 286 paragraph 4 HGB any information regarding the total remuneration of the directors is omitted.

In 2011 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Prakash C. Bhalerao,
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Mr. Praveen K. Maheshwari und
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau

Bharat Forge Ltd., Mundhwa/Pune, India, is the parent company, which prepares the group accounts for most of the group companies. In so far as a disclosure of these accounts is required they may be inspected at the “Registrar of Companies” in Maharashtra, Pune, India. CDP Bharat Forge GmbH, Ennepetal, is the parent company, which prepares the group accounts for the remaining group companies. In so far as a disclosure of these accounts is required they may be inspected at the Amtsgericht (local court) Hagen.

Daun, 24.02.2012

Bharat Forge Daun GmbH

Martin von Werne

BF New Technologies GmbH

Managing Director
Mr. Martin von Werne
Mr. Hartmut Hast

Registered Office
Mittelstrasse 64
58256 Ennepetal
Germany

Auditors
Dr. Wehberg Und Partner HbR
Wirtschaftsprufungsgesellschaft
Feithstrasse 177
58097 Hagen
Germany

Advisory Board
Prof. Dr. Uwe Loos
Mr. Bernd Plerburg
Mr. Alan Spencer

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the BF New Technologies GmbH, Mühlheim a. M., for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Hagen, April 16th, 2012

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

BF New Technologies GmbH, Muhlheim a.M.
Balance Sheet as at December 31, 2011

ASSETS

	Rs.	Rs.	EUR	EUR	As at 31/12/2010 EUR
A. Fixed Assets					
I. Intangible assets					
Concessions, trade mark rights and similar rights and values,licenses	**42,893,599.80**		**625,180.00**		1,257,836.00
II. Tangible assets					
Other plant, factory and office equipment	**5,168,528.52**		**75,332.00**		111,238.00
		48,062,128.32		**700,512.00**	1,369,074.00
B. Current assets					
I. Accounts receivable and other assets					
1. Receivable from Affiliated companies - of which EUR 0.00 (31/12/2010: EUR 0.00) due after one year	**84,765,662.57**		**1,235,470.96**		313,922.59
2. Other assets - of which Rs. 679,239.00 EUR 9,900.00 (31/12/2010: EUR 9,900.00) due after one year	**679,239.00**		**9,900.00**		49,914.00
	85,444,901.57		**1,245,370.96**		363,836.59
II. Cash on hands, bank balances	**7,049.68**		**102.75**		101.75
		85,451,951.25		**1,245,473.71**	363,938.34
Total		**133,514,079.57**		**1,945,985.71**	1,733,012.34

EQUITY AND LIABILITIES

	Rs.	Rs.	EUR	EUR	As at 31/12/2010 EUR
A. Equity					
I. Share Capital	**1,715,250.00**		**25,000.00**		25,000.00
II. Capital reserves	**106,345,500.00**		**1,550,000.00**		1,550,000.00
IV. Net income for the year	**-**		**-**		-
		108,060,750.00		**1,575,000.00**	1,575,000.00
B. Accruals					
Other accruals		**14,476,710.00**		**211,000.00**	141,378.30
B. Liabilities					
1. Trade Payables -up to one year: Rs. 668,679.92 EUR 9,746.10 (07/12/2010: EUR 0.00)	**5,465,751.84**		**79,664.07**		-
2. Payables to affiliated companies -up to one year: Rs. 668,679.92 EUR 9,746.10 (07/12/2010: EUR 9,746.10)	**5,031,926.02**		**73,341.00**		9,746.10
3. Other liabilities -up to one year: Rs. 472,581.16 EUR 6,887.54 (07/12/2010: EUR 6,887.54)	**478,941.71**		**6,980.64**		6,887.94
		10,976,619.57		**159,985.71**	16,634.04
Total		**133,514,079.57**		**1,945,985.71**	1,733,012.34

BF New Technologies GmbH, Muhlheim a.M.
Profit and Loss Account for the period from January 1 to December 31 2011

						Previous Year
		Rs.	Rs.	EUR	EUR	EUR
1.	Other operating income		**7,822.23**		**114.01**	99.96
2.	Cost of materials					
	a) Cost of raw materials, consumables, supplies and purchased merchandise	**44,093,701.22**		**642,671.64**		124,799.80
	b) Cost of purchased services	**15,914,003.05**		**231,948.74**		153,405.84
			(60,007,704.27)		**(874,620.38)**	(278,205.64)
3.	Personnel expenses					
	a) Wages and salaries	**20,832,559.27**		**303,637.36**		304,127.85
	b) Social security contributions and pension expenses thereof EUR 0.00 (2010: EUR 0.00)	**2,536,865.73**		**36,975.16**		35,941.47
			(23,369,425.00)		**(340,612.52)**	(340,069.32)
4	Depreciation and amortization on intangible fixed assets and tangible assets		**(45,870,038.82)**		**(668,562.00)**	(676,208.00)
5.	Other operating expenses		**(60,124,491.53)**		**(876,322.57)**	(833,186.97)
	Results from ordinary business operations		**(189,363,837.39)**		**(2,760,003.46)**	(2,127,569.97)
						-
6.	Other taxes		**(54,750.77)**		**(798.00)**	(946.00)
7.	Income from transfer of losses		**189,418,588.16**		**2,760,801.46**	2,128,515.97
8.	**Net income for the year**		**0.00**		**0.00**	0.00

Appendix for the financial year 2011 of BF New Technologies GmbH, Mühlheim a. M.

General information about the statement of accounts

The statement of accounts for the financial year 2011 was prepared in accordance with §§ 242 – 256a and §§ 264 – 288 of the German Commercial Code (HGB).

The Total Cost Method (§ 275 Section 2 HGB) was selected for the profit and loss statement.

Balance sheet and valuation principles

Intangible assets and other fixed assets were valued at cost price reduced by regular depreciation.

Current assets are valued at cost price.

The **provisions** are calculated at their prospective amount repayable due to reasonable commercial assessment. They include all identifiable risks and obligations.

Liabilities have been stated at the amounts repayable.

Information on the balance sheet

The **intangible assets** consist of patents for the intended research and development projects related to automotive areas.

The contents and the developement of fixed assets are shown in the following assets analysis (following page):

BF New Technologies GmbH, Mühlheim a. M.

Assets analysis as at 31st December, 2011

	Historical acquisition or manufacturing costs					Historical acquisition or manufacturing costs					Book value	Book value
	1/1/2010	Additions	Disposals	Transfers	12/31/2011	1/1/2010	Additions	Disposals	Transfers	12/31/2011	12/31/2011	12/31/2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed Assets												
I. Intangible assets												
1. Concessions, trade mark rights and similar rights and values, licenses	3,161,978.47	-	-	-	3,161,978.47	1,904,142.47	632,656.00	-	-	2,536,798.47	625,180.00	1,257,836.00
II. Tangible assets												
Other plant, factory and office equipment	200,445.13	-	-	-	200,445.13	89,207.13	35,906.00	-	-	125,113.13	75,332.00	111,238.00
Total	3,362,423.60	-	-	-	3,362,423.60	1,993,349.60	668,562.00	-	-	2,661,911.60	700,512.00	1,369,074.00

The **accounts receivables from affiliated companies** comprise only accounts payable to shareholders.

There are no **liabilities** which were due after more than five years.

Information on the profit and loss statement

With the parent company CDP Bharat Forge GmbH it is concluded a profit and loss transfer agreement. For the financial year 2011 CDP Bharat Forge GmbH has taken over a loss amounting to 2.761 TEUR.

Other information

Managing directors during the financial year 2011 have been

Martin von Werne, engineer, Ennepetal,

Hartmut Hast, businessman, Eppertshausen.

Members of the advisory board have been

Prof. Dr. Uwe Loos,

Mr. Martin von Werne,

Mr. Bernd Pierburg and

Mr. Alan Spencer.

Bharat Forge Ltd., Pune, India is the parent company that prepares the consolidated accounts for the largest circle of companies. In the event of disclosure this will take place at the „Register of Companies“ in Maharashtra, Pune, India.

CDP Bharat Forge GmbH, Ennepetal is the parent company that prepares the consolidated accounts for the smallest circle of companies.

Mühlheim a. M., March 29th, 2012

BF New Technologies GmbH

Martin von Werne Hartmut Hast

Managing Directors

THIS PAGE INTENTIONALLY LEFT BLANK

Bharat Forge Beteiligungs GmbH

Managing Director	***Registered Office***	***Auditors***
Dr. Arndt LaBmann Mr. Michael P. Kasperski	Mittelstrasse 64 58256 Ennepetal Germany	Dr. Wehberg Und Partner GbR Wirtschaftsprufungsgesellschaft Feithstrasse 177 58097 Hagen Germany

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Bharat Forge Beteiligungs GmbH, Ennepetal, for the business year from January 1st to December 31st, 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Hagen, April 16th, 2012

(Börstinghaus)	(Lingnau)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Bharat Forge Beteiligungs GmbH, Ennepetal

Profit and Loss Account for the period from January 1st to December 31st 2011

	Rs.	Rs.	EUR	EUR	*Previous Year* EUR
1. Other operating income		-		-	19,155.44
2. Personnel expenses					
a) Wages and salaries	-		-		-
b) Social security contributions and pension expenses	-		-		366.35
		-		-	(366.35)
3. Depreciation on intangible assets		(21,159.32)		(308.40)	(15,381.59)
4. Other operating expenses		(13,072,574.10)		(190,534.53)	(320,527.57)
		(13,093,733.42)		(190,842.93)	(317,120.07)
5. Interest and similar expenses - thereof EUR 0.00 (2010: EUR 0.00) to affiliated companies		(31,903.65)		(465.00)	-
6. Results from ordinary business operations		**(13,125,637.07)**		**(191,307.93)**	**(317,120.07)**
9. Taxes on Income		(106,748.24)		(1,555.87)	4,950.00
11. Net income (loss) for the year		**(13,232,385.31)**		**(192,863.80)**	**(312,170.07)**

Bharat Forge Beteiligungs GmbH

Balance Sheet as at December 31st, 2011

A S S E T S	Rs.	EUR	*As at 31/12/2010* EUR
A. Assets			
I. Intangible assets			
Software	68.61	1.00	309.40
Financial assets			
1. Shares in affiliated companies	3,888,775,934.49	56,679,433.53	47,707,266.83
2. Shares in associated companies	10,184,228.27	148,436.50	148,436.50
B. Current assets			
I. Accounts receivable and other assets			
1. Receivables from affiliated companies of which EUR 0.00 (12/31/2010: EUR 0.00) is due after one year	40,471,414.32	589,876.32	9,890,867.64
2. Other assets of which EUR 0.00 (12/31/2010: EUR 0.00) is due after one year	1,277,053.02	18,613.22	-
II. Cash on hands, bank balances	-	-	-
	3,940,708,698.71	57,436,360.57	57,746,880.37

Balance Sheet as at December 31st, 2011

E Q U I T Y A N D L I A B I L I T I E S	Rs.	Rs.	EUR	EUR	As at 31/12/2010 EUR
A. Equity					
I. Share Capital	1,715,250.00		25,000.00		25,000.00
II. Capital reserves	3,961,986,844.25		57,746,492.41		57,746,492.41
III. Loss carried forward	(23,149,359.79)		(337,405.04)		(25,234.97)
IV. Net loss (income) for the year	(13,232,385.32)		(192,863.80)		(312,170.07)
		3,927,320,349.14		57,241,223.57	57,434,087.37
B. Accruals					
1. Tax provisions	0.00		0.00		93,528.00
2. Other provisions	1,894,733.76	1,894,733.76	27,616.00	27,616.00	31,594.00
					125,122.00
C. Liabilities					
1. Payables to affiliated companies up to one year: Rs. 159.18 EUR 2.32 (12/31/2010: EUR 20,152.32)	159.18		2.32		20,152.32
2. Other liabilities - up to one year: Rs. 11,493,456.63 EUR 167,518.68 (12/31/2010: EUR 167,518.32) - of which EUR 0.00 (12/31/2010: EUR 0.00) taxes - of which EUR 0.00 (12/31/2010: EUR 0.00) relating to social security	11,493,456.63		167,518.68		167,518.68
		11,493,615.81		167,521.00	187,671.00
		3,940,708,698.71		57,436,360.57	57,746,880.37

Appendix for the financial year 2011 of Bharat Forge Beteiligungs GmbH, Ennepetal

General information about the statement of accounts

Bharat Forge Beteiligungs GmbH, Ennepetal is a small company according to § 267 Section 1 of the German Commercial Code (HGB).

The statement of accounts for the financial year 2011 was prepared in accordance with §§ 242 – 256a and §§ 264 – 288 of the German Commercial Code (HGB).

The financial year of the company corresponds to the calendar year.

The Total Cost Method (§ 275 Section 2 HGB) was selected for the profit and loss statement.

Balance sheet and valuation principles

All assets are generally valued at cost price.

Shares in affiliated companies and investments were valued at cost price.

The **provisions** are calculated at their prospective amount repayable due to reasonable commercial assessment. They include all identifiable risks and obligations.

Liabilities have been stated at the amounts repayable.

Short term assets or liabilities in foreign currency are valued at year end rates.

Information on the balance sheet

Intangible assets acquired are valued at cost price. The cost price of assets with a limited useful service life is reduced by scheduled depreciation. The expected useful life is regularly considered three years, if no differing period results from the type of the asset.

The company did not own any **tangible fixed assets**.

The **financial assets** consist of shares and loans to Bharat Forge Kilsta AB, Karlskoga, Sweden, Bharat Forge Hong Kong Ltd., Hong Kong, China, Bharat Forge International Ltd, Brentford, Great Britain and Tecnica UK Limited, Doncaster, Great Britain.

The **accounts receivable against affiliated companies** amounted to TEUR 427 (previous year: TEUR 724) to shareholder.

Information on the Profit and Loss Account

Losses out of **currency conversion** amounted to TEUR 181.

Other information

Shares in affiliated companies

The company held shares of the following companies:

	Share Corpus/ fixed capital	Equity December 31, 2011	Profit 2011
Bharat Forge Kilsta AB			
Karlskoga/Schweden	100%	55.414 TSEK	- 30.141 TSEK
Bharat Forge Hong Kong Ltd.			
Hong Kong/China *)	100%	46.493 TUSD	- 153 TUSD
Tecnica UK Limited			
Great Britain *)	33%	- 29 TGBP	- 142 TGB

*) preliminary/unaudited

Consolidated financial accounts

Bharat Forge Ltd., Mundhwa/Pune, India, is the parent company that prepares the consolidated accounts for the largest circle of companies. In the event of disclosure this will take place at the „Registrar of Companies“ in Maharashtra, India. CDP Bharat Forge GmbH, Ennepetal is the parent company that prepares the consolidated accounts for the smallest circle of companies.

Managing Directors

Appointed as Managing Directors:

- Dr Arndt Laßmann, Businessman, Düsseldorf
- Michael Kasperski, Businessman, Köln.

The Managing Directors have not received any compensation for their jobs as Managing Directors.

Ennepetal, March 29th, 2012

Bharat Forge Beteiligungs GmbH

Dr Arnd Laßmann
Managing Director

Michael Kasperski
Managing Director

THIS PAGE INTENTIONALLY LEFT BLANK

Bharat Forge Kilsta AB

Chairman
Mr. B. N. Kalyani

Managing Director
Mr. Juho Nomm

Director
Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Mr. Kari Tahitinen
Mr. G. Andersson
Mr. R. Stehr

Registered Office
Box 428 691 27 Karlskoga
Sweden
Germany

Auditors
KPMG Bohlnis AB
Kungsvagen 35, 691 35 Karlsloga
Sweden

Auditor’s report

To the annual meeting of the shareholders of Bharat Forge Kilsta AB, corp. id. 556061-2565

Report on the annual accounts

We have audited the annual accounts of Bharat Forge Kilsta AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Bharat Forge Kilsta AB as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Other matters

The annual accounts for year 2010 were audited by another auditor who, in his audit report dated 10 May 2011, expressed an unmodified opinion on those annual accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company’s profit or loss and the administration of the Board of Directors and the Managing Director of Bharat Forge Kilsta AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company’s profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors’ proposed appropriations of the company’s profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director are discharged from liability for the financial year.

Karlskoga 28th May, 2012

KPMG AB

Magnus Gustafsson
Authorized Public Accountant

Administration report

General information on the Company and the business

The Company is one of the leading manufactures of forged crankshafts for diesel engines in the world. Other products are front axle beams and steering- and transmission details for the vehicle industry.

The production facilities are three forging presses with a pressing capacity of 2500, 4000 and 16000 tons respectively and equipment for heat-treatment and machinery for cutting processes. The heavy press is fully automatic as well as one of the biggest in the world.

Significant events

During 2011, the recovery from the deep recession following the crisis on the financial market was reinforced. In the beginning of the year, sales, order intake and production were back to the level prior to recession.

On April 28, 2011, a death accident occurred on the Company's plant in Karlskoga, in which one electrician was pressed to death in a machine. A prosecutor started a preliminary investigation concerning work environment violation causing a person's death. Swedish Work Environment Authority has taken proceedings against the Company. The prosecutor has not yet acknowledged any charges towards any individual at Bharat Forge Kilsta AB, and he has not yet acknowledged whether he will file charges for a company fine. In case a company fine would be given, this would probably be in the range of 1,5-2,0 MSEK. A provision for this has not been made in the year-end closing.

For the summer 2011, a yearly maintenance of the 16000 ton press had been planned. However, in connection to preventive maintenance early May, a defect was noted in the press. During the period between May until July, the press could therefore only operate on reduced capacity. During the summer 2011, the press was shut down during eight weeks and a comprehensive repair was performed.

The fact that the press could only operate on reduced speed between May and July, and also that it was closed for eight weeks, caused delays in customer deliveries and also loss of revenue. To minimize consequences for customers, some products were therefore delivered from another Group company in India.

October 17, 2011, Juho Nömm was appointed General Manager of Bharat Forge Kilsta AB.

The subsidiary Forge Scottish Stampings Ltd has not been operative during the year. The value of shares in the company has been written down by 17,689 TSEK to 0 TSEK.

Capital expenditure amounted to 45 556 TSEK (26 548 TSEK). The main part of the investments are replacements of production equipment.

The Company is from 2005-09-21 a wholly-owned subsidiary to Bharat Forge Beteiligungs GmbH (Germany), which indirect is a wholly-owned subsidiary to Bharat Forge Limited (India).

Significant events after the end of the financial year

In the beginning of 2012, it was noted that the order intake was lower than budget. By the end of February, the company therefore announced a reduction of personnel by 25 employees.

Comparative figures covering several years

The financial development for the Company in summary. Definitions of key figures, down below.

	2011	2010	2009	2008	2007
Net sales, TSEK	946 677	793 009	397 821	1 038 526	1 025 175
Income after financial items, TSEK	-61 288	-45 456	-128 148	-45 186	71 303
Balance sheet total, TSEK	547 046	496 755	496 271	643 586	748 984
Number of employees,	351	291	272	389	389
Equity/assets ratio, %	10,1	21,1	28,6	33,9	35,6
Return on total assets, %	Neg	Neg	Neg	6,3	11,4
Return on equity, %	Neg	Neg	Neg	Neg	26,7

Equity/assets ratio
Equity and untaxed reserves (less deferred tax)) as a percentage of to total assets.
Return on total assets
Income before taxes plus financial income related to balance sheet total.
Return on equity
Income after financial items as a percentage of equity and untaxed reserves (less deferred tax).

Prospects for the year of 2012

By the end of 2011, the company faced a weaker order intake as compared to budgeted levels. For 2012, the Company considers the prospects very uncertain.

Research and development work

The research and development activities of the Company amounted 0,25 % (0,47 %) of the total operating expenses during the financial year.

Proposed appropriation of profits

To the disposal of the annual general meeting are the following earning (SEK)

Unappropriated profit brought forward	61 554 806,08
Net loss for the year	-30 140 639,83
	31 414 166,25

The Board of Directors propose that the unappropriated earnings be distributed as follows

Retained earnings carried forward	31 414 166,25

Environmental issues

The Company is conducting manufacturing which needs environmental permission. Permission for manufacturing of 120,000 metric tons of forge products per year is in place.

The most important environmental influences of the Company is the exploit of resources depending on the huge use of steel and energy. Influence by direct discharge into air and water is insignificant. Almost all of the Company's production corresponds to the environmental permission.

Result and financial position

For further information on the Company's result of operations and financial position, refer to the following income statement, balance sheet and accompanying notes.

Bharat Forge Kilsta AB

Income statement for the period from January 1 to December 31, 2011

	Note	Rs.'000	SEK'000	Previous Year SEK'000
	1			
Operating income etc.				
Net sales	2	6,799,981	946,677	793,009
Change in inventories of work in progress, finished goods		(478,661)	(66,638)	(16,741)
Other operating income	3	4,870	678	800
Operating income etc.		6,326,190	880,717	777,068
Operating expenses				
Raw materials and consumables		(3,525,991)	(490,880)	(443,954)
Other external costs	4	(1,279,070)	(178,069)	(171,744)
Personnel costs	5	(1,485,610)	(206,823)	(165,169)
Depreciation of tangible assets	6, 7, 8, 9, 10	(264,148)	(36,774)	(30,743)
Other operating expenses	11	(27,152)	(3,780)	(7,391)
Operating expenses		(6,581,971)	(916,326)	(819,001)
Operating income		**(255,781)**	**(35,609)**	**(41,933)**
Result from financial items				
Interest items and similar items	12	43,665	6,079	31,383
Depreciation of financial fixed assets	13	(126,263)	(17,578)	(11,689)
Interest expenses and similar items	14	(101,855)	(14,180)	(23,217)
Loss from financial items		(184,453)	(25,679)	(3,523)
(Loss)/Income after financial items		(440,234)	(61,288)	(45,456)
Appropriations	15, 16	189,969	26,447	20,627
Income taxes	17	33,760	4,700	3,100
Net (Loss)/Income for the year		**(216,505)**	**(30,141)**	**(21,729)**

Bharat Forge Kilsta AB

Balance Sheet as at December 31, 2011

	Note	31/12/2011 Rs.'000	31/12/2011 SEK'000	As at 31/12/2010 SEK'000
Assets				
Intangible Fixed assets				
Other intangible Fixed assets	18	186,507	25,965	34,620
Fixed assets				
Land and buildings	7	121,443	16,907	16,818
Plant and machinery	9	771,461	107,401	81,726
Equipment, tools, fixtures & fittings	8	86,634	12,061	12,967
Construction in progress	10	121,084	16,857	24,681
		1,100,622	153,226	136,192
Financial assets				
Participation in Subsidiaries		-	-	17,578
Deferred tax recoverables	19	143,660	20,000	15,300
Long term receivables from subsidiaries	13	-	-	21,894
		143,660	20,000	54,772
Total fixed assets		1,430,789	199,191	225,584
Current assets				
Inventories				
Raw materials and consumables		639,804	89,072	88,287
Work in progress		484,429	67,441	39,040
Finished goods and goods for resale		112,881	15,715	11,911
		1,237,114	172,228	139,238
Current receivables				
Accounts receivables - Trade		861,953	119,999	105,118
Other receivables		6,695	932	812
Income tax receivable		12,635	1,759	1,857
Prepaid expenses and accrued income		50,978	7,097	10,427
		932,261	129,787	118,214
Cash and bank balances		315,542	43,929	11,576
Total current assets		2,484,917	345,944	269,028
Total assets		**3,915,706**	**545,135**	**494,612**

Bharat Forge Kilsta AB

Balance Sheet as at December 31, 2011

	Note	31/12/2011 Rs.'000	31/12/2011 SEK'000	31/12/2010 SEK'000
Equity and liabilities				
Equity	20			
Restricted equity				
Share capital (200 000 shares)		143,660	20,000	20,000
Statutory reserve		28,733	4,000	4,000
		172,393	24,000	24,000
Unrestricted equity				
Profit brought forward		442,150	61,555	83,284
Net income of the year		(216,505)	(30,141)	(21,729)
		225,645	31,414	61,555
Total equity		398,038	55,414	85,555
Untaxed reserves	16	(1)	-	26,447
Provisions				
Provisions for pensions		84,883	11,817	11,491
Guarantee reserve		21,549	3,000	2,500
Total provisions		106,432	14,817	13,991
Long-term liabilities	21			
Liabilities to Credit Institutions	22	512,637	71,368	71,840
Total long-term liabilities		512,637	71,368	71,840
Current liabilities				
Liabilities to credit institutions	22	768,955	107,052	107,760
Accounts payable - trade		854,863	119,012	91,409
Liabilities to group companies		818,431	113,940	27,397
Other liabilities		32,963	4,589	11,604
Accrued expenses and deferred income	23	423,388	58,943	58,609
Total current liabilities		2,898,600	403,536	296,779
Total equity and liabilities		**3,915,706**	**545,135**	**494,612**

Balance sheet	Note	31/12/2011 Rs.'000	31/12/2011 SEK'000	31/12/2010 SEK'000
Assets pledged	22	1,495,501	208,200	208,200
Contingent liabilities	24	151,568	21,101	21,101
		-	-	-

Bharat Forge Kilsta AB

Cash flow statements	2011		2010
	Rs.'000	SEK'000	SEK'000
Operating activities			
Income after financial items	(440,234)	(61,288)	(45,456)
Adjustments for items not requiring an outflow of cash:			
Disposal of Tangible Assets		-	3,865
Exchange Rate difference	(8,476)	(1,180)	7,584
Depreciation of Financial assets	126,263	17,578	11,689
Depreciations	264,148	36,774	30,744
Change in Provisions	5,934	826	(403)
	(52,365)	(7,290)	8,023
Income tax paid	704	98	(163)
Cash flow from operating activities before changes in working capital	(51,661)	(7,192)	7,860
Increase(-) /decrease (+) in inventories	(236,967)	(32,990)	(20,237)
Increase(-) /decrease (+) in current receivables	(83,833)	(11,671)	(32,920)
Increase(+) /decrease (-) in current liabilities	836,424	116,445	59,863
Cash flow from operating activities	463,963	64,592	14,566
Investing activities			
Acquisition of tangible assets	(327,228)	(45,556)	(26,548)
Acquistion of intangible asset	-	-	-
Sale of Tangible Assets	2,895	403	1,160
Shareholders' contribution given	-	-	(29,267)
Cash flow from investing activities	(324,333)	(45,153)	(54,655)
Financing activities			
Loans taken	-	-	194,155
Proceeds/repayment of borrowings	(64,503)	(8,980)	(218,359)
Increase(-) /decrease (+) in bank overdraft	-	-	-
Increase(-) /decrease (+) in factoring overdraft	-	-	-
Loan to subsidiary	157,265	21,894	44,883
Repayment from Group Companies	-	-	-
Shareholders' contribution received	-	-	-
Cash flow from financing activities	92,762	12,914	20,679
Net cash flow for the year	232,392	32,353	(19,410)
Cash and cash equivalents at beginning of year	83,150	11,576	30,986
Cash and cash equivalents at end of year	315,542	43,929	11,576
	-	-	-

Notes

Note 1 Accounting principles

The Annual Report has been prepared in accordance with the Annual Accounts Act and the guidelines issued by the Accounting Standard Board ("BFN"), and guidelines from Standard no 7 issued by the Financial Accounting Standard Council. If nothing else is stated the principles are unchanged compared to last year.

Ownership structure

The Company is a wholly subsidiary to Bharat Forge Beteiligungs GmbH, which indirectly is a wholly-owned subsidiary to Bharat Forge Limited. Bharat Forge Kilsta AB does not prepare consolidated financial statements for 2010 with reference to the exemption rules set out in the Annual Accounts Act, Chapter 7 §2. The consolidated financial statements are prepared by the parent company Bharat Forge Ltd which is situated in Mundhwa, Pune, India. The accounting standards in the consolidated accounts are similar to the accounting standards within the EU. The consolidated financial statements are available at “Registrar of companies” in Mahaeashtra, Pune, India

Out of total purchases and sales measured in SEK 18,89 % (2,14%) of the purchases and 0% (0,96%) of the sales are to other companies within the group the Company belongs to.

Shares in subsidiary

The Company is the owner of all shares in Bharat Forge Scottish Stampings Ltd, situated in i Ayr, Scotland. Acquisition costs of the shares were 46 080 TSEK. During 2010 2.745.500 new shares was issued, to an acquisition value of 29 267 TSEK. The book value of the shares at the end of 2010 are 17 578 TSEK.

Receivables

Receivables are reported in the amounts that, on basis of individual assessment, are estimated to be received.

Receivables and liabilities in foreign currency

Receivables and liabilities denominated in foreign currency are stated at year-end exchange rates. Receivables and liabilities hedged by forward exchange contracts are valuated at the contracted rate if the term is three months at the most. In case of longer hedging the current exchange rate is used and the difference between that rate and the forward rate is distributed over the term of the contract. Unrealized exchange rate differences on current receivables and liabilities have affected the net income for the year.

Inventories

Inventories are stated at the lower of cost or net realizable value. Work in progress and finished goods are stated at the lower of direct manufacturing costs and net realizable value after selling expenses while raw material and consumers are stated at the lower of cost or replacement cost. Acquisition costs have been measured on the first-in-first-out (FIFO) method.

Change to net-accounting of realized and unrealized exchange gain/loss

During this year has net-accounting been made of exchange gain/loss to other operating expenses, the comparative year has been changed.

Fixed assets

Tangible fixed assets are depreciated systematically during the estimated economic life. In this respect the following depreciation periods are applied:

	Number of years
Goodwill	5
Residential property	50
Industrial buildings	8-25
Land improvements	20
Plant and machinery	5-15
Equipment, tools, fixtures and fittings	3-5

Note 2 Net sales classified according to geographis market

	2011	2010
Net sales classified according to operating area as follows:		
Chassis	571 775	327 622
Engines	351 875	446 096
Other	23 027	19 291
Total	946 677	793 009
Net sales classified according to geographic market as follows:		
Nordic countries	490 720	348 661
Europe, excluding the Nordic countries	446 737	439 472
North America	7 869	4 837
Other markets	1 351	39
Total	946 677	793 009

Note 3 Other operating income

	2011	2010
Included in other income, revenues from:		
Realized/unrealized exchange profits	10 682	11 299
Other	678	800
Total	11 360	12 099

Note 4 Remuneration to auditors

	2011	2010
K P M G		
Audit engagement	178	358
Audit activities in addition to the audit engagement	30	45
Tax advice	2	85
Other services	8	68
Total	218	556

Note 5 Average number of employees, salaries, other remuneration and social security contributions

	2011	2010
Average number of employees, with women and males as allocation basis amounts to:		
Women	24	18
Men	327	273
Total for the Company	351	291
Wages and compensations amounts to		
Board of Directors and Managing Director	4 885	1 721
Other employees	136 147	110 593
Total salaries, remunerations and bonuses	141 032	112 314

Statutory and contractual social security contributions	47 844	36 917
Pension costs (for Board of Directors and Managing Director 659 (281))	16 937	11 117
Total salaries, remuneration, social security contributions and pension costs	206 607	161 186

At notice from the Company, the Managing Director is allowed to severance pay corresponding to 12 monthly salaries. The members of the board and other leading employees are men.

Note 6 Land and buildings

	2011-12-31	2010-12-31
Opening acquisition cost	38 440	38 440
Changes during the year		
Redistribution from construction in progress	341	-
Purchases	1 204	-
Closing accumulated acquisition cost	39 985	38 440
Opening depreciation	-21 622	-20 161
Changes during the year		
Depreciation	-1 456	-1 461
Closing accumulated depreciation	-23 078	-21 622
Closing residual value according to plan	16 907	16 818

Note 7 Intangible fixed assets

	2011	2010
Opening acquisition cost	43 275	43 275
Closing accumulated acquisition cost	43 275	43 275
Opening depreciation	-8 655	-
Depreciation	-8 655	-8 655
Closing accumulated depreciation	-17 310	-8 655
Closing residual value according to plan	25 965	34 620

Note 8 Equipment, tools, fixtures and fittings

	2011-12-31	2010-12-31
Opening acquisition cost	81 471	89 290
Changes during the year		
-Redistribution from construction in progress	423	159
-Purchases	1 092	1 650
-Disposed	-1 099	-9 628
Closing accumulated acquisition cost	81 887	81 471
-Opening depreciation	-68 504	-73 635
Changes during the year		
-Depreciation	-2 018	-3 037
-Depreciation of disposals	696	8 168
Closing accumulated depreciation	-69 826	-68 504
Closing residual value according to plan	12 061	12 967

Note 9 Plant and machinery

	2011-12-31	2010-12-31
Opening acquisition cost	484 668	473 462
Changes during the year		
-Redistribution from construction in progress	37 321	13 497
-Purchases	12 999	5 989
-Disposals	-	-8 280
Closing accumulated acquisition cost	534 988	484 668
Opening depreciation	-402 942	-389 740
Changes during the year		
-Disposals	-	4 771
-Depreciation	-24 645	-17 433
-Transfer from construction in progress	-	-540
Closing accumulated depreciation	-427 587	-402 942
Closing residual value according to plan	107 401	81 726

Accumulated acquistion values at the beginning of the year are reduced by investment contributions during 1997-2000 amounting to a total of 10 MSEK.

Note 10 Constructions in progress

	2011-12-31	2010-12-31
Opening accrued expenses	24 681	19 102
Expenses accrued during the year	30 261	18 910
Fixed assets under construction completed this year	-38 086	-13 656
Sold fixed assets under construction during this year	-	-58
Depreciation this year, finished construction in progress	-	383
Closing expenses accrued	16 856	24 681

Note 11 Other operating expenses

	2011	2010
Realized/unrealized exchange loss	3 780	3 526
Disposal of tangible assets	-	3 865
	3 780	7 391

Note 12 Other interest income and similar profit/loss items

	2011	2010
Interest income from group company	-	2 747
Other interest income	453	43
Exchange profit on loans and cash	5 625	28 593
Total	6 078	31 383

Note 13 Depreciation of financial fixed assets

	2011	2010
Write-down of shares in subsidiary	17 578	11 689
Total	17 578	11 689

Note 14 Interest expense and similar profit/loss items

	2011	2010
Interest expenses to group company	887	203
Interest expenses pensions	540	540
Exchange losses on loans and cash		6034
Other interest expenses	12 753	16 440
Total	14 180	23 217

Note 15 Appropriations

	2011	2010
Difference between recorded depreciation and depreciation according to plan	26 447	20 627
Total	26 447	20 627

Note 16 Untaxed reserves

	2011-12-31	2010-12-31
Accumulated difference between book depreciation and depreciation according to plan at beginning of year	26 447	47 074
Changes of the year in difference between book depreciation and depreciation according to plan	-26 447	-20 627
Accumulated difference between book depreciation and depreciation according to plan at end of year	0	26 447
Total	0	26 447

Untaxed reserves includes deferred tax of 0 TSEK (6 877 TSEK).

Note 17 Tax on profit for the year

	2011	2010
Deferred tax liabilities	4 700	3 100
Total	4 700	3 100

Note 18 Participations in subsidiaries

Bharat Forge Kilsta AB is the owner of all shares (5 745 500 (5 745 500)) i Bharat Forge Scottish Stampings Ltd, situated in Ayr, Scotland. Capital share also the voting shares amounting to 100 %.

Acquisition costs of the shares were 46 080 TSEK but a write down to zero was done in 2008.

During 2010 issued 2 745 500 new shares, to an acquisition value of 29 267 TSEK, which 11 689 TSEK has been written down during 2010. Book value at the end of 2010 is 17 578 TSEK. During 2011 have this been written down with 17 578 TSEK, Booked value at the end of 2011 is 0.

	2011-12-31	2010-12-31
Subsidiary´s reported results	-17 136	9 336
Subsidiary´s equity	-8 133	8 800

Note 19 Deferred tax

The difference between the income tax stated in the income statement for this year and previous years on one hand on the other hand the income tax for the business results these years, is stated as deferred tax on loss for tax purposes by 15 300 TSEK (12 200 TSEK).

Note 20 Change in equity

	2011-12-31	2010-12-31
Non-restricted equity		
Amount at beginning of year	61 555	83 284
Net income for the year	-30 141	-21 729
Amount at year-end	31 414	61 555

Note 21 Long-term liabilities

	2011-12-31	2010-12-31
Long-term liabilities, due after one year but within five years after closing day:		
Liabilities to credit institutions	71 368	71 840
Total	71 368	71 840

Note 22 Pledged assets

	2011-12-31	2010-12-31
For provisions, own liabilities and receivables		
Concerning credit insurance FPG liability		
Floating charges	10 000	10 000
Concerning general guarantee		
Floating charges	198 200	198 200
Total pledged assets	208 200	208 200

Note 23 Accrued expenses and deferred income

	2011-12-31	2010-12-31
Accrued salaries	3 649	2 505
Accrued holiday pay	14 294	12 986
Accured social security costs & pensions	13 898	19 072
Accured special employer´s contribution, tax on returns from pension funds and property tax	5 030	2 392
Accured customer provisions	5 663	1 977
Accured financial expenses	2 448	2 831
Ongoing claims	2 387	5 072
Other items	11 575	11 774
Total	58 944	58 609

Note 24 Contingent liabilities

	2011-12-31	2010-12-31
Contingent liability to FPG	236	230
General guarantee for subsidiary´s liabilities limited to	21 352	20 871
Total contingent liabilities	21 588	21 101

Note 25 Cash and cash equivalents

Only placements which can be immediately converted into cash are referred to as cash and bank balances.

Income statement and balance sheet will be submitted to the annual general meeting for adoption.

Karlskoga 2012-05-23

Juho Nömm
Chief executive officer

Babasaheb Kalyani
Chairman

Amit Kalyani

Subodh Tandale

Sanjeev Joglekar

Kari Tähtinen

Arndt Laβmann

Roland Stehr
Employee representive Unionen

Göran Andersson
Employee representive Metall

Our audit report was issued on 2012-05-28.

KPMG AB

Magnus Gustafsson
Authorized public accountant

THIS PAGE INTENTIONALLY LEFT BLANK

Bharat Forge Scottish Stampings Limited

Managing Director
Mr. Kevin Boylan

Registered Office
Neptune Works, East Park road,
AYR, KAB 9HR, Scotland
United Kingdom

Auditors
KPMG LLP
191 West George Street,
GLASGOW, G2 2LJ,
United Kingdom

Director
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. S. E. Tandale

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011.

Principal activity and business review

In 2010, the decision was taken to close the business, transfer or sell assets and ensure minimum impact to stakeholders. This decision was designed to ensure a professional and controlled end to the business and maximise competitiveness going forward for the group. It was an unfortunate outcome for the Scottish site and workforce but nevertheless an unavoidable outcome given the economic position combined with general market developments.

The sale of the land, transfer of the business and transfer of certain assets were completed in 2010, with the balance of assets and the site transferred and cleared by Quarter 3, 2011. As the company ceased manufacturing and as the directors intend to cease the operations of the company following realisation of all assets and the settlement of remaining liabilities, they have not prepared the accounts on a going concern basis. The effect of this is explained in note 1 to the financial statements.

The results for the year reflect the ongoing impact of the decision to close the company's operations in Scotland.

The main focus of the directors is the orderly wind down of the business to the best advantage of all stakeholders.

Directors

The directors of the company are as follows:

B N Kalyani
K Boylan
A B Kalyani
P K Maheshwari
S E Tandale

Financial instruments

The company's policy is not to enter into complex financial instruments.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

K Boylan
Managing Director

Neptune Works
v East Park Road
Ayr
KA8 9HR

20 April 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1 to the financial statements, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Bharat Forge Scottish Stampings Limited

We have audited the financial statements of Bharat Forge Scottish Stampings Limited for the year ended 31 December 2011 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The financial statements have not been prepared on a going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P Galloway (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
11 May 2012

Bharat Forge Scottish Stampings Limited

Profit & Loss Account for the Year Ended 31st December 2011

		2011		2011		2010
	Note	Rs' 000	Rs' 000	GBP' 000	GBP' 000	GBP' 000
Turnover	2		**1,720**		**23**	**3,437**
Change in stocks of finished goods and work in progress		(598)		(8)		(2,190)
Other operating income		15,028		201		1,855
Raw materials and consumables		(523)		(7)		(1,879)
Other external charges		0		0		(179)
Staff costs	4.5	(11,738)		(157)		(783)
Depreciation and other amounts written off tangible and intangible fixed assets		0		0		0
Other operating charges		(8,075)		(108)		(903)
			(5,906)		(79)	(4,079)
Operating (loss)/profit	3		**(4,186)**		**(56)**	**(642)**
Profit on sale of Business		0		0		0
Profit on sale of fixed assets		82,241		1,100		0
Other interest receivable and similar income	6	0		0		176
Interest payable and similar charges	7	(18,018)		(241)		(610)
Impairment of amounts due from group undertaking		(180,256)		(2,411)		0
			(198,274)		(1,552)	(434)
(Loss)/profit on ordinary activities before taxation			**(202,460)**		**(1,608)**	**(1,076)**
Tax on (loss)/profit on ordinary activities	8		0		0	0
(Loss)/profit for the financial year	14		**(202,460)**		**(1,608)**	**(1,076)**

There were no recognised gains or losses in the year other than the result included in the profit and loss account.
All results relate to discontinued activities.

Bharat Forge Scottish Stampings Limited

Balance sheet at 31 December 2011

	Note	2011		2011		2009
		Rs ' 000	**Rs ' 000**	**GBP' 000**	**GBP' 000**	**GBP' 000**
Current assets						
Tangible fixed assets for sale	9	-		-		2,395
Stocks	10	-		-		353
Debtors	11	169,192		2,263		3,382
Cash at bank and in hand		2,692		36		152
		171,884		2,299		6,282
Creditors: amounts falling due within one year	12	(229,004)		(3,063)		(5,438)
Net current (liabilities)/assets			**(57,120)**		**(764)**	**844**
Net (liabilities)/assets			**(57,120)**		**(764)**	**844**
Capital and reserves						
Called up share capital	13		429,520		5,745	5,745
Profit and loss account	14		(634,000)		(8,480)	(6,872)
Capital contribution reserve	14		147,360		1,971	1,971
Shareholders' (defecit)/funds	15		**(57,120)**		**(764)**	**844**

These financial statements were approved by the board of directors
on 20 April 2012 and were signed on its behalf by:

K Boylan
Managing Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

In 2010, the directors announced that, following a long period of consultation, the decision had been taken to cease production given the outcome of the group restructuring which commenced in 2010 and the strong business case for transferring the business operations of Bharat Forge Scottish Stampings to other group companies. The company ceased production in 2011 and as the directors intend that the company cease operations following the realisation of all assets and the settlement of the remaining liabilities, the directors have not prepared the accounts on a going concern basis. As the financial statements are not prepared on a going concern basis, fixed assets have been reclassified as current assets, long term liabilities reclassified as current liabilities, fixed assets reflected at estimated realisable value, and provision made for future operating losses.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and the consolidated accounts of the group are available to the public.

As the company is a wholly owned subsidiary of Bharat Forge Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bharat Forge Limited, within which this company is included, can be obtained from the address given in note 19.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	25 years
Plant and machinery	-	5 to 15 years
Fixtures, fittings, tools and equipment	-	3 to 4 years

No depreciation is provided on freehold land or assets in the course of construction.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Raw materials and consumables are valued at cost. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Pensions

The company contributes to personal pension plans on behalf of employees. The plans' assets are held separately from the assets of the company. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the value of goods sold during the year less returns, exclusive of Value Added Tax. The sale of goods and assets are recognised when the risks and rewards of ownership transfer.

2 Analysis of turnover

All turnover is derived from the principal activity of the company.

Turnover by geographical market is as follows:

	2011	2010
	£000	£000
United Kingdom	**-**	13
Rest of Europe	**23**	3,424
Rest of the World	**-**	-
	23	3,437

3 Supplementary information

	2011	2010
	£000	£000
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**-**	-
Amortisation of goodwill	**-**	-
Hire of plant and machinery - rentals payable under operating leases	**-**	122
Auditors' remuneration		
Audit of these financial statements	**18**	25
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	**5**	23
Other services relating to corporate finance transactions entered into or proposed to be entered into	**-**	-

Notes *(continued)*

4 Remuneration of directors

Emoluments received by the directors during the year £36,000 *(2010: £125,000)*. Pension contributions of £0 *(2010: £3,750)* were made on behalf of directors.

5 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2011	2010
Administration and sales	**4**	7
Production	**0**	10
	4	17

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Wages and salaries	**138**	663
Social security costs	**17**	76
Pension costs	**1**	8
Other staff costs	**-**	-
Redundancy costs	**-**	36
	157	783

6 Other interest receivable and similar income

	2011	2010
	£000	£000
On bank loans and overdrafts	**-**	-
Exchange gains relating to loans from group undertakings	**-**	176
	-	176

Notes *(continued)*

7 Interest payable and similar charges

	2011	2010
	£000	£000
On loans from group undertakings	**23**	**493**
Bank interest	**176**	**117**
Exchange rate losses other	**42**	-
	241	**610**

8 Taxation

Analysis of credit in year

	2011	2010
	£000	£000
UK corporation tax		
Current tax on loss for the year	**-**	-
Adjustment in respect of prior year	**-**	-
Total current corporation tax	**-**	-
Deferred tax		
Origination of timing differences	**-**	-
Adjustment in respect of prior year	**-**	-
Total deferred tax charge	**-**	-
Tax on loss on ordinary activities	**-**	-

Factors affecting the tax credit for the current year

The current corporation tax credit for the year is lower *(2010: lower)* than the standard rate of corporation tax in the UK of 28% *(2008: 28%)*. The differences are explained below.

	2011	2010
	£000	£000
Current corporation tax reconciliation		
Loss on ordinary activities before tax	**(1,608)**	(1,076)
Current corporation tax at 28% *(2010: 28%)*	**(450)**	(301)
Effects of:		
Expenses not deductible for tax purposes		131
Excess capital allowances		261
Tax losses utilised		(59)
Capital gain not taxable		-
Other timing differences		(32)
Total current corporation tax credit (see above)		-

Factors that may affect future current and total tax charges

The company has unrecognised tax losses. Given the company's current financial situation the asset has not been recognised.

Notes *(continued)*

9 Tangible fixed assets held for sale

	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Payments on account and assets in course of construction £000	Total £000
Cost				
At beginning of year	4,576	65	787	5,428
Additions				
Disposals	(4,576)	(65)	(787)	(5,428)
At end of year	-	-	-	-
Depreciation				
At beginning of year	2,968	65	-	3,033
Disposals	(2,968)	(65)	-	(3,033)
At end of year	-	-	-	-
Net book value	-	-	-	-
At 31 December 2011				
At 31 December 2010	1,608	-	787	2,395

10 Stocks

	2011 £000	2010 £000
Raw materials and consumables	**-**	345
Work in progress	**-**	-
Finished goods	**-**	8
	-	353

11 Debtors

	2011 £000	2010 £000
Trade debtors	**-**	63
Other debtors	**5**	2,600
Prepayments and accrued income	**-**	564
Amount due to group undertaking	**2,407**	155
	2,412	3,382

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Bank loan (secured)	**3,000**	3,000
Trade creditors	**16**	58
Amounts owed to group undertakings	**149**	2,335
Taxation and social security	**1**	9
Accruals and deferred income	**45**	36
	3,211	5,438

13 Called up share capital

	2011	2010
	£000	£000
Allotted, called up and fully paid		
5,745,500 ordinary shares of £1 each	**5,745**	5,745

14 Reserves

	Capital contribution reserve	**Profit and loss account**
	£000	**£000**
At beginning of year	1,971	(6,872)
Loss for the financial year	-	(1,608)
Loan waiver from immediate parent undertaking	-	-
At end of year	**1,971**	**(8,480)**

Notes *(continued)*

15 Reconciliation of movement in shareholders' funds/(deficit)

	£000
Loss for the financial year	(1,608)
Loan waiver from immediate parent undertaking	-
Issue of share capital	-
Net increase in shareholders' funds	
Shareholders' deficit at beginning of year	844
Shareholders' funds at end of year	**(764)**

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of Bharat Forge Kilsta AB incorporated in Sweden.

The ultimate parent company is Bharat Forge Limited, a company incorporated in India.

The smallest group in which the results of the company are consolidated is that headed by CDP Bharat Forge GmbH. The consolidated accounts of this company are available from: CDP Bharat Forge GmbH, Mittlestr. 64, 58256 Ennepetal, Germany.

The largest group in which the results of the company are consolidated is that headed by Bharat Forge Limited. The consolidated accounts of this company are available to the public and may be obtained from: Bharat Forge Limited, Mundhwa, Pune Cantonment, Pune 411 036, Maharashtra, India.

THIS PAGE INTENTIONALLY LEFT BLANK

Bharat Forge Hong Kong Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	14th Floor, Hutchion House	Shinewing (HK) CPA Ltd.
Mr. A. B. Kalyani	10 Harcourt Road	43/F The Lee Gardens
Mr. G. K. Agarwal	Central Hongkong SAR	33 Hysan Avenue
	Hong Kong	Causeway Bay
		Hong Kong

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BHARAT FORGE HONG KONG LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Bharat Forge Hong Kong Limited (the "Company") set out on pages 5 to 24, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company as at 31 December 2011 and of the Company's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
15 May 2012

BHARAT FORGE HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of Bharat Forge Hong Kong Limited (the "Company") for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding.

RESULTS

The results of the Company for the year ended 31 December 2011 are set out in the statement of comprehensive income on page 5.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. Babasaheb Neelkanth Kalyani
Mr. Amit Babasaheb Kalyani
Mr. Gopal Krishan Agarwal
Mr. Praveen Kumar Maheshwari (resigned on 21 December 2011)

There being no provision in the Company's Articles of Association for the retirement of directors by rotation, all the remaining directors will continue in office for the ensuring year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party and in which a director of the Company had, whether directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTTURES

At no time during the year was the Company, its subsidiary or any of its holding companies or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint SHINEWING (HK) CPA Limited as the auditor of the Company.

On behalf of the Board

Amit Kalyani

Hong Kong
15 May 2012

Bharat Forge Hong Kong Limited

Statement of Comprehensive Income
for the year ended 31st December,2011

	Notes	2011 Rs.	2011 USD	2010 USD
Turnover		-	-	-
Bank interest income		1,832	36	51
Administrative Expenses		(7,809,579)	(153,460)	(102,095)
Loss before Taxation		(7,807,747)	(153,424)	(102,044)
Income Tax Expense	**7**	-	-	-
Loss for the year and total comprehensive expenses for the year	**8**	**(7,807,747)**	**(153,424)**	**(102,044)**

Bharat Forge Hong Kong Limited

Statement of Financial Position as at 31st December,2011

	Notes	2011 Rs.	2011 USD	2010 USD
Non Current Assets				
Investment in Subsidiary	**9**	2,043,367,850	40,152,640	40,152,640
Current Assets				
Bank balance	**10**	14,979,421	294,349	455,955
		14,979,421	294,349	455,955
Current Liability				
Other Payable		1,781,150	35,000	43,182
Amounts due to Immediate Holding Company	**11**	-	-	12,152,640
		1,781,150	35,000	12,195,822
Net Current Assets (liabilities)		13,198,271	259,349	(11,739,867)
Total Net Assets		**2,056,566,121**	**40,411,989**	**28,412,773**
Capital & Reserve				
Share Capital	**12**	2,211,297,979	43,452,505	31,299,865
Accumulated Loss		(154,731,858)	(3,040,516)	(2,887,092)
		2,056,566,121	**40,411,989**	**28,412,773**

The Financial Statements on pages 5 to 24 were approved and authorised for issue by the board of directors on 15 May 2012 and are signed on its behalf by

Amit Kalyani **G. K. Agarwal**

Bharat Forge Hong Kong Limited

Statement of Changes in Equity
for the year ended 31st December 2011

	Share Capital		Accumulated Loss		Total	
	Rs.	**USD**	**Rs.**	**USD**	**Rs.**	**USD**
At 1st January 2010	1,592,850,130	31,299,865	(141,731,092)	(2,785,048)	1,451,119,038	28,514,817
Loss for the year and total comprehensive expenses for the year	-	-	(5,193,019)	(102,044)	(5,193,019)	(102,044)
As at 31st December, 2010 and 1st January , 2011	**1,592,850,130**	**31,299,865**	**(146,924,111)**	**(2,887,092)**	**1,445,926,019**	**28,412,773**
Issue of preference shares	618,447,849	12,152,640	-	-	618,447,849	12,152,640
Loss for the year and total comprehensive expenses for the year	-	-	(7,807,747)	(153,424)	(7,807,747)	(153,424)
At 31st December, 2011	**2,211,297,979**	**43,452,505**	**(154,731,858)**	**(3,040,516)**	**2,056,566,121**	**40,411,989**

Bharat Forge Hong Kong Limited

Statement of cash flows
for the year ended 31st December, 2011

	2011		2010
	Rs.	**USD**	**USD**
Operating activities			
Loss before Tax	(7,807,747)	(153,424)	(102,044)
Adjustments for:			
Interest Income	(1,832)	(36)	(51)
Operating Cash flow before movement in working capital	(7,809,579)	(153,460)	(102,095)
Increase / (Decrease) in other payable	(416,382)	(8,182)	18,182
Net Cash used in Operating activities	(8,225,961)	(161,642)	(83,913)
Investing activities			
Capital injection in a subsidiary	-	-	(12,152,640)
Interest received	1,832	36	51
Net Cash from (used in) Investing activities	1,832	36	(12,152,589)
Financing activities			
Advance from Immediate Holding Company	-	-	12,152,640
Net Cash from Financing activities	-	-	12,152,640
Net decrease in Cash and Cash equivalents	**(8,224,129)**	**(161,606)**	**(83,862)**
Cash & cash equivalent at 1 January	**23,203,550**	**455,955**	**539,817**
Cash & cash equivalent at 31 December represented by bank balance	**14,979,421**	**294,349**	**455,955**

BHARAT FORGE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL

Bharat Forge Hong Kong Limited (the "Company") was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. It is a wholly-owned subsidiary of Bharat Forge Beteiligungs GmbH, a limited company incorporated in Germany. Its ultimate holding company is Bharat Forge Limited, a limited company incorporated in India and listed on The National Stock Exchange of India Limited and The Bombay Stock Exchange Limited.

The address of the registered office and principle place of business of the Company are 1401, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The financial statements are presented in United State dollars ("USD"), which is the same as the functional currency of the Company.

The Company is engaged in investment holding.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[3]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2015.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of these amendments to HKFRS 7 will have no significant effect on the Company's disclosures regarding transfers of financial assets in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "current has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 – Financial Instruments (Continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial information and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Company's financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instruments for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under *HKFRS 7 Financial Instruments – Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance.

Basis of preparation of the financial statements

The company is a wholly owned subsidiary of another body corporate and therefore, in accordance with section 124(2)(a) of the Hong Kong Companies Ordinance, is not required to prepare group financial statements.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position at cost less any identified impairment loss.

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

Bank balance in the statement of financial position comprises cash at bank and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Company's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bank balance) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Company's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or, when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of bank balance and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 USD	2010 USD
Financial assets		
Loan and receivables (including cash and cash equivalents)	294,349	455,955
Financial liabilities		
Other financial liabilities measured at amortised cost	35,000	12,195,822

(b) Financial risk management objectives and policies

The Company's major financial instruments include bank balance, other payable and amount due to immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The bank balance was deposited in bank with high credit rating, thus the credit risk on this balance is limited.

Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitment and to capitalise on opportunities of business expansion. Liquidity is managed on a daily basis by the management which ensures the Company has adequate liquidity for all operations and monitor local and international market for the adequacy of funding and liquidity. The Company manages liquidity risk by holding sufficient liquid assets such as short-term bank deposits to ensure short-term funding requirement are covered with prudent limit.

As at 31 December 2011 and 2010, all financial liabilities are non-interest bearing and are due within one year.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amostiesd cost in the financial statements approximate their fair values due to their short-term maturities.

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profit for both years.

The tax charge for the year can be reconciled to the loss before tax per the statement of comprehensive income as follows:

	2011 USD	2010 USD
Loss before tax	(153,424)	(102,044)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	(25,315)	(16,837)
Tax effect of expense not deductible for tax purpose	25,321	16,845
Tax effect of income not taxable for tax purpose	(6)	(8)
Income tax expense for the year	-	-

There were no significant unprovided deferred taxation at the end of the reporting date.

8. LOSS FOR THE YEAR

	2011 USD	2010 USD
Loss for the year has been arrived at after charging:		
Directors' remuneration		
- fees	-	-
- other emoluments	-	-
Auditors' remuneration	35,000	30,000

9. INVESTMENT IN A SUBSIDIARY

	2011 USD	2010 USD
Unlisted equity interest, at cost	40,152,640	40,152,640

Details of the Company's subsidiary at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Class of share held	Place of incorporation / operation	Particular of the paid up registered capital	Attributable equity interest of the Company		Principal activities
				2011	2010	
FAW Bharat Forging (Changchun) Co., Ltd. 一汽巴勒特鍛造（長春）有限公司	Contributed capital	The People's Republic of China	USD77,440,000	51.85%	51.85%	Manufacturing motor vehicles forging parts; manufacturing and design moulds and providing consultants services

10. BANK BALANCE

Bank balance is denominated in United State dollars and deposited with a bank in Hong Kong. Bank balance bears interests at the prevailing market interest rate.

11. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2011, the amount had been settled as consideration paid for preference shares issued.

12. SHARE CAPITAL

	Ordinary shares of HK$10 each		Ordinary shares of USD1 each		Non-voting redeemable preference shares of USD 1 each		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Total
		USD		USD		USD	USD
Authorised:							
At 1 January 2010, 31 December 2010 and 1 January 2011	10,000	1,292	55,000,000	55,000,000	-	-	55,001,292
Re-designation of ordinary shares / issue of preference shares	-	-	(13,000,000)	(13,000,000)	13,000,000	13,000,000	13,000,000
At 31 December 2011	10,000	1,292	42,000,000	42,000,000	13,000,000	13,000,000	68,001,292
Issued and fully paid:							
At 1 January 2010, 31 December 2010 and 1 January 2011	1	1	31,299,864	31,299,864	-	-	31,299,865
Issue of preference shares	-	-	-	-	12,152,640	12,152,640	12,152,640
At 31 December 2011	1	1	31,299,864	31,299,864	12,152,640	12,152,640	43,452,505

12. SHARE CAPITAL (Continued)

During the year ended 31 December 2011, 13,000,000 unissued ordinary shares of USD1 each had been re-designated as 13,000,000 non-voting redeemable preferences shares of USD1 each pursuant to a special resolution passed on 14 November 2011.

The holders of the preference shares shall have priority:
(i) to profits of the Company available for distribution from time to time; and
(ii) to receive the capital in proportion to the capital paid up or which ought to have been paid together with any unpaid dividends payable to them up to the commencement of the winding up on the shares held by them.

No holders of the preference shares shall be entitled to receive notice of or attend any general meetings of the Company except where separate class meetings of the holders of the preference shares are required and at such meetings, the holders shall be entitled to one vote for each fully or credited as fully paid up share.

The preference shares shall be liable to be redeemed as follows:
(i) the Company shall be entitled at any time and from time to time to redeem, at a redemption price equal to the issue price of the preference shares, the whole or any part (in the latter case, pro rata in proportion to each holder’s holding of the preference shares) of the preference shares for the time being outstanding and fully paid up upon giving one month’s written notice to the holders of the shares to be redeemed of its intention to do so.

(ii) on the date and at the place fixed and duly notified for redemption each holder of preference shares shall be bound to deliver to the Company the certificates therefor; provided that if any certificate so delivered to the Company includes any preference shares not then to be redeemed a fresh certificate for the balance thereof shall in due course be issued to the holder delivering such certificate to the Company.

(iii) as from the date fixed and duly notified for redemption of any preference share (the “Redemption Date”), such share shall be extinguished and shall cease to confer any rights upon the holder thereof (except the right to receive the redemption monies). Unclaimed redemption monies shall not bear interest against the Company. On the Redemption Date, the Company shall, subject to the receipt of the relevant share certificate(s) or an indemnity in lieu thereof in a form reasonably satisfactory to the Company, pay the redemption monies to the relevant holder of such redeemed share.

13. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the amount due to immediate holding company of USD12,152,640 had been settled as consideration paid for preference shares issued to the immediate holding company.

14. RELATED PARTY TRANSACTIONS

(a) There were no related party transactions for the year ended 31 December 2011 and 2010.

(b) Compensation of directors and key management personnel

The directors of the Company consider that they are the only key management personnel of the Company. No emolument was paid or payable to the directors of the Company during the year ended 31 December 2011 and 2010.

THIS PAGE INTENTIONALLY LEFT BLANK

FAW Bharat Forge (Changchun) Company Limited

Board of Directors

Mr. Qin Haunming
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. K. M. Saletore
Mr. S. E. Tandale
Mr. Li Chongtian
Mr. Zhang Ruiquing

Registered Office

118-1 Dongfeng Street
Changchun, Jilni Province
P.R. China 130 011

Auditors

Shanghai Certified Public Accountants
20/F WnXin United Press Tower
No. 755 WeiHi Road,
Shanghai, China

Auditors' Report

SCPAR (2012) No.
Dated: 2012, Mar. 09

To Board of Directors FAW Bharat Forge (Changchun) Company Limited.

We have audited the financial statements of FAW Bharat Forge (Changchun) Company Limited.("your Company"), including the Balance Sheet as of Dec. 31, 2011, the income statement, the Changes to Owners' Equity and the Cash Flow Statement for the year then ended and notes attached to and forming part of the financial statements.

I. Responsibilities of your Company's management for the financial statements

It is the responsibility of your Company's management to prepare and fairly present the financial statements. The responsibility includes: 1. preparing the financial statements in compliance with the Accounting Standards for Business Enterprises, so that they present a fair and truthful view of the financial position, operation results and cash flow of your Company; and 2. designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements to prevent any material misstatement due to fraud or error.

II. CPA's responsibilities

Our responsibility is to conduct an audit of the financial statements of your Company, and express an auditor's opinion accordingly. We shall perform our auditing task in accordance with the Auditing Standards for CPAs of China and those standards require that CPAs observe the professional ethics, and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of any material misstatements.

The audit involves procedures to obtain auditing evidence supporting the amounts and disclosures in the financial statements. Selection of the accounting procedures is based on the judgments of the CPAs, including their assessment of the risk of any material misstatement due to fraud or error. While assessing such a risk, CPAs shall consider the internal control over the preparation of the said financial statements in order to design appropriate auditing procedures, while the purpose is not to express any opinion on the effectiveness of the internal control. The audit also includes assessing the accounting principles used and significant accounting estimates made by the management of your Company, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and pertinent auditing evidence, and our audit provides a reasonable basis for our opinion.

III. Auditor's opinion

We hold the opinion that your Company's financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material aspects and have given a fair and truthful view of the financial position of your Company as of Dec. 31, 2011 and its operation results and cash flow for the year then ended.

CPA
Xu Chao
Gen Lei
Shanghai Certified Public Accountants
Shanghai, China

This document is an English translation of the Chinese original version. In case there are any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

Income Statement for the year ended 31 December 2011

Previous Year

Item	No.	Rs.	RMB	RMB
Ⅰ **Total Revenue from Operation**		6,252,881,421.73	867,251,237.41	894,493,983.17
Including: Revenue from Operation	24	6,252,881,421.73	867,251,237.41	894,493,983.17
Ⅱ **Total Cost of Operation**		6,228,447,526.84	863,862,347.69	868,911,509.42
Including: Cost of Sales	24	5,180,961,236.75	718,579,921.88	748,580,334.29
Operating Tax	25			
Sales Expense		145,794,109.59	20,221,097.03	19,311,631.51
Administrative Expense		700,770,966.23	97,194,308.77	84,403,749.96
Financial Expense		180,507,256.77	25,035,680.55	16,488,815.68
Asset Impairment Loss	26	7,200,290.58	998,653.34	126,977.98
Add: Changes of Fair Value of Assets				
Investment Income				
Including: Income from Associates				
Exchange Income				
Ⅲ **Operation Profit**		24,433,894.88	3,388,889.72	25,582,473.75
Add: Non-operation Income	27	13,907,331.72	1,928,894.83	391,746.89
Including: Profit from Disposal of Non-current Assets			1,354,744.02	
Including: Government Subsidies			11,700.00	
Less: Non-operation Cost	28	11,454,615.54	1,588,712.28	961,350.14
Including: Disposal of Non-current Assets			660,880.07	629,529.15
Ⅳ **Total of Profit**		26,886,611.07	3,729,072.27	25,012,870.50
Less: Income Tax				
Ⅴ **Net Profit**		26,886,611.07	3,729,072.27	25,012,870.50
VI Earnings Per Share				
(i) Basic Earnings Per Share				
(ii) Diluted Earnings Per Share				
VII Other Comprehensive Income				
VIII Total of Comprehensive Income		26,886,611.07	3,729,072.27	25,012,870.50

Balance Sheet

As at 31 December 2011

Company Name:FAW Bharat Forge (Changchun) Company Limited

As at 31 December 2010

Item	No.	Rs.	RMB	RMB
Current Assets				
Cash	1	487,121,664.62	67,561,950.71	31,748,086.14
Transaction Monetary Assets				
Notes Receivable	2	445,187,105.24	61,745,784.36	63,609,824.00
Accounts Receivable	3	1,114,441,027.31	154,568,797.13	191,007,685.70
Advances to Suppliers	4	151,212,577.22	20,972,618.20	13,060,274.96
Interest Receivable				
Dividend Receivable				
Other Receivables	5	113,355,339.60	15,721,961.11	4,744,453.46
Inventory	6	2,016,090,383.87	279,624,186.39	230,603,832.68
Non-current Assets maturing within one year				
Other Current Assets				
Total current assets		4,327,408,097.86	600,195,297.90	534,774,156.94
Non-current Assets				
Financial assets available for sale				
Held-to-maturity Investment				
Long-term Accounts Receivable				
Long-term equity investment				
Investment Property				
Fixed assets	7	2,780,018,660.57	385,578,177.61	377,744,904.46
Construction in Process	8	1,089,374,578.43	151,092,174.54	29,336,254.53
Construction Materials	9	391,563,301.56	54,308,363.60	18,307,902.77
Disposal of Fixed Assets				
Productive Biological Assets				
Oil and Gas Assets				
Intangible Assets	10	177,668,642.13	24,641,975.33	24,357,706.04
Expense on Exploitation				
Goodwill				
Long-term Deferred Expense				
Deferred Income Tax Assets				
Other Non-current Assets				
Total Non-current Assets		4,438,625,182.69	615,620,691.08	449,746,767.80
Total Assets		**8,766,033,280.55**	**1,215,815,988.98**	**984,520,924.74**

Balance Sheet

As at 31 December 2011

As at 31 December 2010

Item	No.	Rs.	RMB	RMB
Current liabilities				
Short-term loan	11	2,205,899,500.00	305,950,000.00	251,632,824.00
Transaction Monetary Liability				
Notes Payable	12	252,350,000.00	35,000,000.00	30,712,260.00
Accounts Payable	13	1,408,126,354.65	195,301,852.24	192,796,157.98
Advance from Customers	14	26,331,770.56	3,652,117.97	1,798,658.52
Accrued Payroll	15	14,968,719.14	2,076,105.29	3,855,836.26
Taxes Payable	16	15,006,667.89	2,081,368.64	1,823,166.99
Interest Payable				
Dividend Payable				
Other Payables	17	170,342,531.28	23,625,871.19	20,448,654.19
Non-current Liability maturing within one year	18			53,000,000.00
Other Current Liabilities				
Accrued Interest Payable			1,122,979.17	
Total Current Liability		4,101,122,223.35	568,810,294.50	556,067,557.94
Non-current Liability				
Long-term Loan	19		99,500,000.00	
Bonds Payable				
Long-term Payable	20	831,540,808.39	115,331,596.17	8,340.76
Special Payable				
Estimable Liability				
Deferred Income Tax Liability				
Other Non-current Liability				
Total Non-current Liability		1,548,935,808.39	214,831,596.17	8,340.76
Total Liability		5,650,058,031.73	783,641,890.67	556,075,898.70
Owners' Equity				
Paid-in Capital	21	4,105,376,360.63	569,400,327.41	569,400,327.41
Capital Surplus	22	532,652.95	73,876.97	73,876.97
Less: Treasury Stock				
Special Reserves				
Surplus Reserves				
Undistributed Profit	23	(989,933,764.76)	(137,300,106.07)	(141,029,178.34)
Conversion Margin in Foreign Currency Report Form				
Total Owners' Equity		3,115,975,248.82	432,174,098.31	428,445,026.04
Total Liability and Owners' Equity		**8,766,033,280.55**	**1,215,815,988.98**	**984,520,924.74**

Cash Flow Statement for the year ended 31 December 2011

Company Name:FAW Bharat Forge (Changchun) Company Limited Previous Year

Item	No.	Rs.	RMB	RMB
1. Cash Flows from Operating Activities				
Cash receipts from the sale of goods or rendering of services		2,220,192,340.11	307,932,363.40	392,863,040.23
Refunds of taxes				
Other cash receipts relating to operating activities	29	8,357,829.19	1,159,199.61	2,233,078.18
Sub-total of Cash Inflows		2,228,550,169.30	309,091,563.01	395,096,118.41
Cash payments for goods and services		1,275,072,019.38	176,847,714.20	377,831,147.36
Cash paid to and on behalf of employees		877,757,265.71	121,741,645.73	104,032,763.26
Payments of all types of taxes		128,091,164.35	17,765,764.82	26,087,336.40
Other cash payments relating to operating activities	30	164,147,175.47	22,766,598.54	13,249,077.22
Sub-total of Cash Outflows		2,445,067,624.92	339,121,723.29	521,200,324.24
Net Cash Flows from Operating Activities		(216,517,455.62)	(30,030,160.28)	(126,104,205.83)
2. Cash Flows from Investing Activities:				
Proceeds from sell of investment				
Cash receipts from return on investments				
Net cash receipts from the sale of fixed assets,intangible assets and other long-term assets		17,617,024.82	2,443,415.37	3,462,084.06
Net cash receipts from disposal of subsidiary company and other institutions				
Other cash receipts relating to investing activities				
Sub-total of Cash Inflows		17,617,024.82	2,443,415.37	3,462,084.06
Cash payments to acquire fixed assets, intangible assets and other long-term assets		1,209,817,050.62	167,797,094.40	32,626,579.10
Cash payments to acquire investments				

Cash Flow Statement for the year ended 31 December 2011

Item	No.	Rs.	RMB	Previous Year RMB
Net cash receipts from subsidiary company and other institutions				
Other cash payments relating to investing activities				
Sub-total of Cash Outflows		1,209,817,050.62	167,797,094.40	32,626,579.10
Net Cash Flows from Investing Activities		(1,192,200,025.81)	(165,353,679.03)	(29,164,495.04)
3. Cash Flows from Financing Activities:				
Cash proceeds from issuing shares				158,829,681.28
Including: Cash proceeds from subsidiary company				
Cash proceeds from borrowings		4,178,195,000.00	579,500,000.00	287,200,000.00
Other cash receipts relating to financing activities	31	821,940,000.00	114,000,000.00	48,518,819.60
Sub-total of Cash Inflows		5,000,135,000.00	693,500,000.00	494,548,500.88
Cash payments of amounts borrowed		3,185,378,000.00	441,800,000.00	313,300,000.00
Cash payments for distribution of dividends or profits and for interest expenses		147,747,579.20	20,492,035.95	13,760,129.78
Including: Cash payments of dividends or profits to minority shareholders by subsidiary company				
Other cash payments relating to financing activities				
Sub-total of Cash Outflows		3,333,125,579.20	462,292,035.95	327,060,129.78
Net Cash Flows from Financing Activities		1,667,009,420.80	231,207,964.05	167,488,371.10
4. Effect of Foreign Exchange Rate Changes on Cash		(73,975.83)	(10,260.17)	(14,655.49)
5. Net Increase In Cash and Cash Equivalents		258,217,963.55	35,813,864.57	12,205,014.74
Add: Beginning balance of cash and cash equivalents		228,903,701.07	31,748,086.14	19,543,071.40
6. Ending Balance of Cash and Cash Equivalents		487,121,664.62	67,561,950.71	31,748,086.14

Statement of Changes in Owners' Equity of 2011

Company Name:FAW Bharat Forge (Changchun) Company Limited

Unit:RMB Yuan

Item	Current Year Amount							Prior Year Amount						
	Capital Paid-in	Capital Surplus	Less:Treasury Stock	Surplus Reserve	Undistributed Profit	Subtotal	Total of Owners' Equity	Paid-in Capital	Capital Surplus	Less:Treasury Stock	Surplus Reserve	Undistributed Profit	Subtotal	Total of Owners' Equity
1. Ending Balance of Previous Year	569,400,327.41	73,876.97			(141,029,178.34)	428,445,026.04	428,445,026.04	410,570,646.13	73,876.97			(166,042,048.84)	244,602,474.26	244,602,474.26
Add: Adjustment of Accounting Policy														
Correction of Previous Period														
Others														
2. Beginning Balance of Current Year	569,400,327.41	73,876.97			(141,029,178.34)	428,445,026.04	428,445,026.04	410,570,646.13	73,876.97			(166,042,048.84)	244,602,474.26	244,602,474.26
3. Increase or Decrease Amount in Current Year					3,729,072.27	3,729,072.27	3,729,072.27	158,829,681.28				25,012,870.50	183,842,551.78	183,842,551.78
(1) Net Profit					3,729,072.27	3,729,072.27	3,729,072.27					25,012,870.50	25,012,870.50	25,012,870.50
(2) Other Comprehensive Income														
(1) and (2) Sub-Total					3,729,072.27	3,729,072.27	3,729,072.27					25,012,870.50	25,012,870.50	25,012,870.50
(3)Capital Increase and Decrease								158,829,681.28					158,829,681.28	158,829,681.28
① Capital Invested								158,829,681.28					158,829,681.28	158,829,681.28
② Payment of Share Relating to Owners' Equity														
③ Others														
(4) Distribution of Profit														
① Surplus Reserve														
② Distribution to Shareholders														
③ Others														
(5) Internal Transfer														
① Capital Surplus Transferred into Paid-in Capital														
② Surplus Reserve Transferred into Paid-in Capital														
③ Surplus Reserve Transferred to Make up Loss														
④ Others														
4. Ending Balance of Current Year	**569,400,327.41**	**73,876.97**			**(137,300,106.07)**	**432,174,098.31**	**432,174,098.31**	**569,400,327.41**	**73,876.97**			**(141,029,178.34)**	**428,445,026.04**	**428,445,026.04**

I. Company In General

FAW Bharat Forge (Changchun) Company Limited. (the "Company") is a joint venture established by Bharat Forge Hong Kong Limited and China FAW Corporation Limited. The Company obtained the approval certificate［Shang Wai Zi Ji Fu Zi［2006］No 0007］from Jilin province people's government on 3 March 2006.

The Company was set up on 9 March 2006. Its registered capital is USD 77,440,000.00(its paid-in capital is USD 77,440,000.00), including: the capital input of Bharat Forge Hong Kong Limited is USD 40,152,640.00(translated into RMB 295,606,104.52) by monetary capital and the investment accounts for 51.85%; the capital input of China FAW Corporation Limited is USD 37,287,360.00(translated into RMB 273,794,222.89) by the net assets and monetary capital and the investment accounts for 48.15%. Its legal representative is Qin Huanming. Its registration address is No.118-1, Dongfeng Street, Changchun City, Jilin Province. Its operation scope is to manufacture variety of forgings for vehicles and non-vehicles, design and develop the forging dies and offer the relevant technical consulting, purchase, wholesale and retail of the steel，offer repairing and processing for the forging dies, forge and manufacture variety of non-standard equipments used for production, design and manufacture the technical equipment and provide the relevant technical services, provide the technical services to forging equipments and process the spare parts(prepare to construction).

II. Declaration on abiding by the Enterprise Accounting Standards

The financial statements of the Company has been prepared in accordance with the Principles of Enterprise Accounting and its application guide issued by the Ministry of Finance People's Republic of China on February 15, 2006 give a true and complete view of the financial position of the Company and the results of its operations and its cash flows and other relevant information.

III. Company's principal accounting policies, accounting estimation

1．The basis of financial statements

The financial statements are based on continuance management, the real business and trade, according to Principles of Enterprise Accounting and their supplemental regulations issued by the Ministry of Finance People's Republic of China on February 15, 2006 and the financial statements are prepared on these base of following important accounting policies and accounting estimates

2．Accounting period

The Company's accounting period starts on Gregorian calendar 1 January and ends on 31 December.

3．Reporting currency

RMB has been adopted as the currency.

4．Bookkeeping basis and valuation attribute

Accrual basis is adopted as the bookkeeping basis. The Company typically used historical cost to measure accounting elements. On the premise of making sure that all the accounting elements can be obtained and credibly valuated, the company adopted replacement cost, net realizable value, present value and fair value measurement.

5．Cash equivalents

Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6．Transaction in foreign currency

(1) Foreign currency transactions in the initial recognition, a transaction occurred the same day by applying the middle exchange rates stipulated by the People's Bank of China to make foreign currency to be converted into RMB.

(2) On the day of the balance sheet, the Company use theses methods as follows to deal with foreign currency monetary items and foreign currency non-monetary items:

① Foreign currency monetary items, transactions denominated in foreign currencies are translated at the middle exchange rates stipulated by the People's Bank of China prevailing on the day of the balance sheet. Exchange differences arising from the spot exchange rate and initial recognition, or the spot exchange rate of the previous balance sheet are taken to the current profit and loss.

② Foreign currency non-monetary items valued by historical cost are still calculated by the spot exchange rate of the occurred transaction, RMB amount remaining unchanged. Transaction finance property valued by fair value is translated into RMB on the spot exchange rate of the date of fair value recognition; differences from translation between RMB and initial currency directly booked into current profit and loss as fair value movement (including the exchange rate fluctuations）

Monetary items refers to currency held by the funds and will be fixed or determined by the amount of the assets or receive payment liabilities.

Non-monetary items refer to the items except monetary items.

7． Financial instruments

(1) The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or right instruments of any other entity are formed.

(2) Financial assets shall be classified into the following four categories when they are initially recognized:

① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses;

② The investments held to their maturity;

③ The account receivables; and

④ Financial assets available for sale.

(3) Financial liabilities shall be classified into the following two categories when they are initially recognized:

① The financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and

② Other financial liabilities

(4) Financial assets or financial liabilities valued by fair value and whose movement is booked into current profit/loss

These kinds of financial assets or financial liabilities are further divided into transaction financial assets or financial liabilities and directly designated financial assets or financial liabilities valued by fair value and whose movement is booked into current profit/loss.

Transaction financial assets or financial liabilities mainly refer to financial assets held in order to be sold or financial liabilities to be repurchased in the near future.

Directly designated financial assets or financial liabilities valued by fair value and whose movement is booked into current profit/loss, mainly refers to the company making this designation based on the risk management, the strategic investment needs and so on.

Financial assets valued by fair value and whose movement is booked into current profit/loss take the fair value as the initial confirmation amount when it is obtained. Related transaction expenses are directly booked into current profit/loss. The payment includes cash dividends having been declared but not yet paid or notes interest having matured but not yet acquired, which is individually recognized as receivables.

The interest and cash dividends obtained are recognized as the gains on investment during the period that the financial assets held are measured at their fair values and the variation of which is recorded into the profits and losses of the current period. On the balance sheet, the change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, shall be recorded into the profits and losses of the current period.

When a financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period is transferred out, the balance between the fair value and the initially recognized amount are recognized as the gains on investment; the profits and losses arising from the variation of the fair value is adjusted at the same time.

(5) Investment held to their maturity
Investments held till expiration refers to non-derivative financial assets with fixed expiration dates, fixed or recognizable collectable amounts and with explicit intention and capability from the management to hold to their maturity.

The summation of fair value when it is obtained and related transaction expenses is taken as the initially recognized amount of the investments which will be held to their maturity. Notes interest having matured but not yet acquired included in the payment is recognized as receivables individually.

The interest income recognized by the investment held till expiration during the owning period, in accordance with the post-amortization costs and the actual interest rate, is booked into investment income. The actual interest rate is determined when the investment held till expiration is obtained; it keeps immovability within the predicted term of existence or within a shorter applicable term of the investment held till expiration. (If the difference between the actual interest rate and the par interest rate is small, the interest income is recognized by the par interest rate and booked into investment income.)
When disposing of investment held till expiration, the difference between its book value and the actual purchase price shall be included in the investment income.
(6) Accounts receivable
Receivables mainly refer to the creditor's rights of the company from selling goods or providing labor services. The contract or agreement payment from purchaser is recognized as the initially recognized amount. When collecting or disposing accounts receivable, the difference between the obtained value and the book value of accounts receivable is recognized as profits and losses of the current period.

(7) Financial assets available for sale
Financial assets available for sale refer to financial assets except financial assets valued by fair value and whose movement is booked into current profit/loss, investment held till expiration, accounts receivable.
The summation of fair value when it is obtained and related to transaction expenses is taken as the initially recognized amount of financial assets available for sale . Notes interest having matured but not yet acquired or cash dividends having been declared but not yet paid including in the payment is recognized as receivables individually.
Interest or cash dividends abstained during the holding period of the sellable financial assets is booked into investment income. On the balance date, sellable financial assets are measured by fair value, and the variation of the fair value is booked into capital accumulation.
When the sellable financial assets are disposed of, the balance between the initially recognized amount and the fair value are recognized as the profits and losses of the investment; at the same time, the amount of the disposing part corresponding to the initial accumulative amount arising from the variation of the fair value directly booked into the owners' equity is transferred out, and recognized as the profits and losses of the investment.

(8) Other financial liabilities
Other financial liabilities refer to the financial liabilities outside which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period. In general, the bonds issued by enterprises, accounts payable by purchasing goods, long-term payables and so on, should be classified into other financial liabilities. The summation of fair value when it is obtained and related transaction expenses is taken as the initially recognized amount of sellable financial assets. Other financial liabilities generally make subsequent measurement on the basis of the post-amortization costs.

(9) Measurement of losses of financial assets
The calculation method of account receivables' provision for bad debts:
① Provision for bad debts of accounts receivable and other receivables
The Company analyze the account age of various accounts receivable(including: accounts receivable and other receivables, excluding employee receivables, receivable for petty cash, shareholder debt and security deposit) at the end of an accounting period for making provision for bad debts, the proportions for making provision are listed as follows:

Age	Proportion for Making Provision for Bad Debts
0-6 months	-
7-12 months	5%

1-2 years	10%
2-3 years	30%
3-4 years	50%
Over 4 years	100%

If the recoverability of some account receivable is obviously lower than its book value by using account age analyses method, its bad debts losses should be determined by using individual valuation method.

Confirmation Standard for Bad Debts：
The receivables unable to be recovered from the liquidated properties or heritage due to the bankruptcy or demise of the debtor, or the receivables unable to be recovered due to the debtor's failure to fulfill the obligation of paying off the debts for more than three years after the deadline for paying off the debts and the obvious evidence indicating no possibility of recovery.
Regarding the matured investment and loan, if the objective evidences indicate the impairment, the loss of impairment shall be calculated and confirmed in accordance with the difference between the book value and the value of estimated future cash flow.
Generally, if the impartial value of the financial assets available for sales decreases dramatically, or after the overall consideration is given to the various relevant factors, and it is estimated that such decrease is not interim, it can be judged that the financial assets available for sales has been impaired, the loss of impairment shall be confirmed. If the financial assets available for sale impair, the total loss resulting from the decrease of impartial value of owner's equity shall be carried over, and shall be entered into the account of impairment loss.

(10) Method of Determining Impartial Value of Financial Tools
If the financial assets or financial debts exist on the active market, the impartial value of them shall be determined in accordance with the quotations on the active market. The quotations on the active market means the prices easy to get from the exchange, brokers, and industry association on periodical basis, and represents the actual market price in the fair trading.
If the financial tools do not have an active market, the appraisal technology shall be employed to determine the impartial value. The result acquired by using the appraisal technology may reflect the possible transaction price in the fair-trading. The appraisal technology includes the reference to the prices adopted by the parties familiar with the situation and willing to trade in the latest market transaction, and reference to the present impartial value of other materially same financial tools, cash flow discount method, option pricing pattern, etc.

(11) Basis for Confirming the Transfer of Financial Assets and Measurement Method
When the Company has transferred the whole risk and reward of the financial assets to the assignee, the confirmation of the financial assets shall be terminated. If the total risks and rewards of the financial assets are reserved, the confirmation of the financial assets will not be terminated. Terminating the confirmation means that the financial assets or financial liabilities are written off from the account and balance sheet of the Company. If the transfer of financial assets as a whole satisfies the conditions for termination, the difference of the above two amounts shall be entered into the account of current loss and profit.
① Book Value of Transferred Financial Assets;
② The consideration received from the transfer shall be the sum of accumulated amount of the variations of impartial value of owner's equity (the financial assets relating to the transfer are the financial assets available for sale).
If the partial transfer of financial assets satisfies the conditions for terminating the confirmation, the whole book value of the transferred financial assets shall be amortized between the financial assets whose confirmation is terminated and the financial assets whose confirmation has not been terminated (under such circumstances, the retained service assets shall be viewed as a part of the financial assets whose confirmation has not been terminated) in accordance with their respective relative impartial values, and shall enter the difference of the two amounts below into the account of current loss and profit;
1) Book Value of Financial Assets Whose Confirmation is terminated;
2) The consideration of the financial assets whose confirmation is terminated shall be the sum of accumulated amount of the variations of impartial value of owner's equity (the financial assets relating to the transfer are the financial assets available for sale).
If the Company still retains the total risks and rewards of the transfer of ownership of financial assets, the whole of the transferred financial assets shall continued to be confirmed, and the received consideration shall be confirmed as one financial debt.

8. Inventories

(1) The inventories include raw materials, finished goods, merchandise inventory, work in progress and low-value consumables, etc.

(2) When the inventories are acquired, they shall be accounted for at historical cost. When raw materials, merchandise inventory and work in progress are distributed, they shall be accounted for at standard cost. Any difference between standard cost and actual cost of the inventories shall be accounted for and amortized separately and individually. Low-value consumables are expended entirely upon incurring.

(3) The dies less than RMB 200,000.00 for one unit should be treated as inventory, and one-time amortized or amortized into prepaid expense in the cycle of new product of debugging when it is used; if it can not benefit the company any more, its un-amortized amount should be charged as costs of the current period. The die more than RMB 200,000.00 for one unit that can benefit the company for a long period of time should be treated as fixed assets, which should be depreciated. If it can not benefit the company any more, its un-amortized amount can be charged as costs in the relevant period.

(4) Provision for write-down of inventories

When the net realizable value of inventory is lower than its cost at the end of accounting period, the provision for inventory write-down shall be made. Such provision shall be calculated according to the cost of single inventory and net realizable value.

① Determination for write-down of inventories:

Where the cost of inventories is higher than the recoverable amount because the inventories and damaged, completely of partially obsolescent, or the selling price is lower than the cost, a provision for inventory write-down should be made on the difference between the cost and the recoverable amount.

② The provision for inventory write-down should be made according to the lower of the cost and the recoverable amount of inventories on a single item basis.

9. Long-term equity investments

(1) For the merger of enterprises under the same control，the company (as the purchaser) obtains the right to take control of other merged enterprises. If it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital surplus. If the capital surplus is insufficient to dilute, the retained earnings (including: surplus reserve and undistributed profit) shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital surplus. If the capital surplus is insufficient to dilute, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall, including the expenses for audit, valuation and legal services, be recorded into the profits and losses at the current period. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of shares for the business combination shall be credited against the surplus of shares issued; if the surplus is not sufficient, the retained earnings shall be offset.

(2) If a business combination is not under the same control, the initial cost of the long-term equity investment shall be ascertained in accordance with the following circumstances:

① For a business combination realized by a transaction of exchange, the combination costs shall be the fair values on the acquisition date of the assets paid, the liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for the control on the acquiree.

② For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.

③ All relevant direct costs incurred to the acquirer for the business combination shall also be recorded into the cost of business combination.
④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

(3) If a business combination is not under the same control, the acquirer shall recognize the positive balance between the initial cost of the long-term equity investment and the fair value of the identifiable net assets it obtains from the acquiree as business reputation.
The acquirer shall, pursuant to the following provisions, treat the balance between the initial combination costs and the fair value of the identifiable net assets it obtains from the acquiree:
① It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs;
② If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

(4) Besides the long-term equity investments formed by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:
① The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.
② The initial cost of a long-term equity investment obtained on the basis of issuing shares shall be the fair value of shares issued.
③ The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement. The unfair value stipulated in the contract or agreement shall use the fair value as the initial cost.
④ For the Long-term equity investment acquired through non-monetary assets exchange, its initial costs shall be determined in accordance with the No.7 of Principles of Enterprise Accounting---Non-Monetary Asset Exchange.
⑤ For the long-term equity investment acquired through debts restructuring, its initial costs shall be determined in accordance with the No.12 of the Principles of Enterprise Accounting---Debts Restructuring.

(5) The following long-term equity investments shall be measured by employing the cost method:
① A long-term equity investment of an investing enterprise that is able to control the invested enterprise.
② A long-term equity investment of the investing enterprise that does not exercise control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured.
The price of a long-term equity investment measured by employing the cost method shall be included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income. The investment income recognized by the investing enterprise shall be limited to the amount received from the accumulative net profits that arise after the invested entity has accepted the investment. Where the amount of profits or cash dividends obtained by the investing entity exceeds the aforesaid amount, it shall be regarded as recovery of initial investment cost.

(6) A long-term equity investment of the investing enterprise that does joint control or has significant influence over the invested entity shall be measured by employing equity method.
After an investing enterprise obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. The investing enterprise shall, in light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly.
An investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests, which substantially form the net

(All amounts are stated in Rmb Yuan unless otherwise stated)

investment made to the invested entity, are reduced to zero, unless the investing enterprise has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume to recognition of its attributable share of profits.
Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity.
When the investment profits or losses is recognized by the long-term equity investment in accordance with the equity method, the investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of net profits and losses of the invested entity after it adjusts the net profits of the invested entity.
The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions.
The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

(7) If an asset's recoverable amount is lower than its carrying value, a provision for the asset impairment shall be made by the differences. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

10. Fixed Assets and Depreciation
(1) Fixed assets refer to :
① those material assets, labor provision, lease or operation with
② a service life over one year and
③ a high unit price for commodity production.

(2) Fixed assets are classified into buildings and structure, machinery equipment, transport equipments and etc.

(3) The amount of a fixed asset that can be used directly without further construction includes the purchasing price, custom duty, transportation expenses, insurance and etc. The amount of a fixed asset constructed by the Company itself should be determined according to all the expenditures incurred necessary to prepare the fixed asset to its usable condition.

(4) The depreciation method is the straight-line method. The Company calculates the useful life, the net residual value and the depreciation rate for a fixed asset according to the original value. Fixed assets with provision for impairment already made should be depreciated based on the book value, which is the original value less the accumulated depreciation and the provision for impairment already made, and the estimated remaining useful life. The fixed asset fix-up expenses that are accord with capitalized conditions should single depreciated by appropriated method in the lower of the remaining useful life and the time before the next fix-up takes up.
Categories of the fixed assets and the useful life are listed as following：

Categories	Useful life	Net residual rate	Depreciation rate(year)
Buildings and structures	30-100	10.00%	0.90%-3.00%
Machinery equipment	8-70	10.00%	1.29%-11.25%
Transport Equipments	5	10.00%	18.00%
Electrical and other Equipments	3-5	10.00%	18.00%-30.00%
Die	5-15	10.00%	6.00%-18.00%

(5) Fixed assets should be measured at the lower of the book value and the recoverable amount at the end of an accounting period. A provision for impairment of fixed assets should be set up for any difference between the book value and the lower recoverable amount.

11. Construction in Progress
(1) The costs related to the construction and all the expenditures incurred in the construction shall be accounted for. When the construction in progress reaches serviceable condition, it will be converted into

the fixed assets. When a fixed asset under construction reaches its usable condition but the final cost of construction has not yet been ascertained, it should be transferred to fixed assets at the estimated value based on the budgeted price or cost of the work form the date on which it reaches its usable condition. The recorded amount of the asset should be adjusted after the final cost of construction is ascertained.

(2) Where one of the following circumstances exists, a provision for impairment of construction in progress should be set up:
① a construction in progress is long idled and will not go into operation in 3 years.
② a construction in progress is obsolescent technically and functionally, and has big uncertainty in causing economic benefits to flow to the Company.
③ other factors that indicate the construction in progress has actually been impaired.

(3) Construction in progress should be measured at the lower of the book value and the recoverable amount at the end of an accounting period. A provision for impairment of construction in progress should be set up for any difference between the book value and the lower recoverable amount.

12. Borrowing Costs
(1) Where the borrowing costs incurred to an enterprise can be directly it shall be capitalized and recorded into the costs of relevant assets. attributable to the acquisition and construction or production of assets eligible for capitalization. The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time (usually it refers to one or more years)to prepare for its intended use or for sale. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, auxiliary expenses, and exchange balances on foreign currency borrowings.

(2) The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:
① The asset disbursements have already been incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
② The borrowing costs has already been incurred; and
③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.
Where the acquisition and construction or production of a qualified asset is abnormally interrupted and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

(3) During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:
① As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.
② Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average

interest rate of the general borrowing.
If the loan has discount or premium, the amount of the discount or premium that shall be amortized accordingly during each fiscal year shall be determined by the effective interest method, and the amount of interests of each fiscal year shall be adjusted.
During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.
(4) For the auxiliary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The auxiliary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

13. Intangible Assets
(1) Intangible assets refer to the invisible and identifiable non-monetary assets held or owned by the enterprise. The intangible assets are measured initially in accordance with the costs. The useful life shall be judged when the intangible assets are acquired.

(2) The intangible assets with limited useful life shall be amortized within the useful life. When the fiscal year ends, the useful life of intangible assets and amortization method shall be checked. If the useful life of intangible assets and amortization method are different from the estimated ones, the amortization period and amortization method will be changed.

(3) If the recoverable amount is lower than its book value, the provision of impairment shall be drawn in accordance with the difference. The recoverable amount is determined in accordance with the higher one between the net amount of impartial value of the assets minus the disposal costs and the value of estimated future cash flow of the assets.

14. Goodwill
It means that the company, as the purchaser, acquired the control right of other incorporated enterprises in the business merger under the non-same control and the difference of the costs paid for such merger bigger than the impartial value of the identified assets of the acquired. The initially recognized goodwill shall be measured in accordance with the amount after the costs is deducted by the accumulative total provision of impairment.
The impairment test on the goodwill shall be conducted at the end of each year. If the recoverable amount is lower than its book value, the provision of impairment shall be drawn in accordance with the difference. The recoverable amount is determined in accordance with the higher one between the net amount of impartial value of the assts minus the disposal costs and present value of estimated future cash flow of the assets. The impairment test on the goodwill shall be conducted in combination of relevant assets group or the mix of relevant assets groups.

15. Employee Compensation
The term "employee compensation" refers to all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee compensation shall include wages, bonuses, allowances and subsidies for the employees; welfare expenses for the employees; medical insurance, pension insurance, unemployment insurance, work injury insurance and other social insurances; housing accumulation fund; labor union expenditure and employee education expenses; non-monetary welfare; compensations for the cancellation of the labor relationship with the employees; and other relevant expenditures of services offered by the employees.
During the accounting period of an employee' providing services to an enterprise, the enterprise shall recognize the compensation payable as liabilities. Except for the compensations for the cancellation of the labor relationship with the employee, the enterprise shall, in accordance with beneficiaries of the services offered by the employee, treat the following circumstances respectively:
(1) The compensation for the employee for producing products or providing services shall be recorded as the product costs and service costs;

(2) The compensation for the employee for any on-going construction project or for any intangible asset shall be recorded as the costs of fixed asset or intangible assets; or

(3) Compensations for the cancellation of the labor relationship with the employees shall be recorded as profit or loss for the current period.
The compensation for the employee other than those as mentioned above shall be recorded as profit or loss for the current period.

16. The estimable liabilities
The obligation pertinent to contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously:
(1) That obligation is a current obligation of the enterprise;

(2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and

(3) The amount of the obligation can be measured in a reliable way.
The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

17. Revenues
(1) Operating income consists of those from selling goods, providing labor services, and transferring the right to use assets.

(2) The recognition of revenue from selling goods:
No revenue from selling goods may be recognized unless the following conditions are met simultaneously:
① The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise;
② The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
③ The relevant amount of revenue can be measured in a reliable way;
④ The relevant economic benefits may flow into the enterprise; and
⑤ The relevant costs incurred or to be incurred can be measured in a reliable way.
(3) The recognition of revenue from providing labor services
If an enterprise can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage- of-completion method. The result of providing labor services can be estimated reliably, the following conditions are satisfied:
① The amount of income can be measured reliably;
② The relevant economic benefits are very likely to flow into the enterprise;
③ Progress of completing the transaction is able to determined reliably;
④ The costs incurred and to be incurred in the transaction can be measured reliably;

For determining the progress of providing the labor services, the methods below shall be selected:
1) The measurement of the work has been completed;
2) Proportion of provided labor services to the total labor services;
3) Proportion of incurred costs to the estimated total costs.
The current income of providing labor services shall be recognized on the balance sheet in accordance with the amount after the gross income of providing the services is multiplied by completion progress and divided by the total recognized labor service incomes of previous fiscal years. At the same time, the current labor service costs shall be carried over in accordance with the amount after the estimated total labor service costs is multiplied by completion progress and divided by the total recognized labor service costs of previous fiscal years.

If the result of providing labor services is not able to be measures reliably on balance sheet, it shall be handled in accordance with the cases below:
<1> The incurred labor service costs can be compensated, the labor service income shall be recognized in

accordance with the amount of incurred labor service costs, and the labor service costs shall be carried over with the same amount.
<2> It is estimates that the incurred labor service costs cannot be compensated, the incurred labor service costs shall be accounted for as the current loss and profit, the labor service income will not be recognized.

(4) The recognition of transferring the right to use assets:
The revenue from transferring the right to use assets consists of interest revenue and royalty revenue. No revenue from transferring the right to use assets may be recognized unless the following conditions are met simultaneously:
① The relevant economic benefits are likely to flow into the enterprise; and
② The amount of revenues can be measured in a reliable way.

The Company determines the amount of the income from alienating the right of using the assets:
1) Interests income is calculated and determined in accordance with the time of using the monetary fund of the time and actual interests rate.
2) Income of use fee is calculated and determined in accordance with the charging time and method prescribed in the relevant contract or agreement.
18. Government subsidies
A government subsidy means the monetary or non-monetary assets obtained free by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.
No government subsidy may be recognized unless the following conditions are met simultaneously as follows:
(1) The enterprise can meet the conditions for the government subsidies; and

(2) The enterprise can obtain the government subsidies.
The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows:
① Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or
②Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

19. Income tax
The income tax is accounted by the Balance Sheet Liability Method. On the balance sheet, the book values of the assets and liabilities shall be analyzed and compared with the tax base. If the two have differences, the deferred income tax assets, deferred income tax liabilities and corresponding deferred income tax costs (or income). On the basis of calculating and determining the current income tax (namely current tax income payable) and deferred income tax costs (or income), the sum of the two shall be recognized as the income tax costs (or income) in the profit statement. However, the impacts of the transactions or matters, which are directly accounted for as the owner's equity, on the income tax are not entertained.
The carrying amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down.
The deferred income tax assets and deferred income tax liabilities shall be measured in accordance with the expected recoverable assets or applicable tax rate during the period of paying off the liabilities. The applicable tax rate means the tax rate executed during the period of estimated carryover of temporary differences in accordance with the tax laws.

20. Consolidated Financial Statements
The scope of consolidation for consolidated financial statements is determined by the ability to take a control for foundation.
The company, in a direct or indirect way through subsidiaries, holds more than half of the equity capital of the invested enterprise, and will take the invested enterprise as its subsidiaries; the invested enterprise

should be included in the scope of consolidation. However, some evidence indicates that the company can't take control of the invested enterprise is an exception.

The company holds half or less than half of the equity capital of the invested enterprise, meeting one of the following conditions, the parent company is regarded as having the ability to take control of the invested enterprise, and taking the invested enterprise as its subsidiaries, the invested enterprise should be included in the scope of consolidation. However, some evidence indicates that the company can't take control of the invested enterprise is an exception:

(1) The Company holds more than half of the equity capital of the invested enterprise through the agreement between other investors of the he invested enterprise.

(2) By articles of corporation or agreements, the company has the right to decide the invested enterprise's financial affairs and operating policies.

(3) The company has the right to appoint and dismiss majority members of the invested enterprise's board of directors or similar organization.

(4) The Company has most right to vote the invested enterprise's board of directors or similar organization.

The parent company shall include its whole subsidiaries into the scope of consolidating financial statements.

When the consolidated financial statements are prepared, the parent company and the subsidiaries under the scope of consolidating the financial statements shall employ the uniform accounting policies and fiscal period. The consolidated financial statements shall be based on the financial statements of the parent company and the subsidiaries. After offsetting the impact of internal transactions between the parent company and subsidiaries and between the subsidiaries themselves on the consolidated balance sheet, the consolidated financial statements shall be prepared by the parent company. If new subsidiary is added due to the business merger under the non-same control during the report period, the parent company shall adjust the beginning balance of consolidated balance sheet when preparing the consolidated balance sheet. If new subsidiary is added due to the business merger under the same control during the report period, the parent company shall include the income, costs, profit and cash flow of the subsidiary from the beginning period of consolidation to the end of report period into the consolidated profit statement and cash flow statement. If the new subsidiary is added due to the business merger under non-same control, the income, costs, profit and cash flow of the subsidiary from the date of acquisition to the end of report period shall be included into the consolidated profit statement and cash flow statement. If the parent company disposes the subsidiary during the report period, the income, costs, profit and cash flow of the subsidiary from the beginning period to the date of disposal shall be included into the consolidated profit statement and cash flow statement.

IV. Change of Accounting Policies and Estimates and Notes on Correction to Errors of Previous Fiscal Period

1. Changes of Accounting Policies

There is no change of Accounting Policies during the report period.

2. Change of Accounting Estimates

There is no change of Accounting Estimates during the report period.

3. Correction to the Errors of Previous Period

There is no correction to Errors of Previous Period during the report period.

V. Taxation

1. Value Added Tax

Value added tax rate applicable to the Company is 17%.

2. Income Tax

According to <The Income Tax Law Of The People's Republic Of China> and <The Detailed Rules and Regulations Of The Income Tax Law Of The People's Republic Of China> which have been entered into force since January 1, 2008, and <Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax> (Guo Fa [2007] No.39), the applied income tax rate is 25%.

(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. Notes to significant Accounts

1. Monetary Assets

Items	31 December 2011			31 December 2010		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash						
RMB			2,978.86			6,199.82
Sub-total			2,978.86			6,199.82
Bank						
RMB			26,238,971.85			20,850,636.71
USD	-	-	-	34,528.04	6.6227	228,668.85
EUR	-	-	-	15,983.52	8.8065	140,758.87
Sub-total			26,238,971.85			21,220,064.43
Other Monetary Fund						
RMB			41,320,000.00			10,521,821.89
Sub-total			41,320,000.00			10,521,821.89
Total			67,561,950.71			31,748,086.14

Other monetary funds belong to margin deposit for the bank acceptance bill and letter of credit.

2. Notes Receivable

Category	31 December 2011	31 December 2010
Bank Acceptance	60,745,784.36	63,609,824.00
Trade Acceptance	10,000,00.00	-
Total	61,745,784.36	63,609,824.00

3. Accounts Receivable

Account Age	31 December 2011				
	Amount (Original Occurred Amount)	Proportion to Total Amount	Provision for Bad Debts	Book Value	Proportion for Making Provision for Bad Debts
0-6 Months	136,881,635.07	80.48%	-	136,881,635.07	-
7-12 Months	16,215,907.58	9.54%	810,795.38	15,405,112.20	5.00%
1-2 Years	1,457,095.98	0.86%	145,709.60	1,311,386.38	10.00%
2-3 Years	1,221,726.38	0.72%	366,517.91	855,208.47	30.00%
3-4 Years	230,910.03	0.14%	115,455.02	115,455.01	50.00%
Over 4 Years	14,051,842.94	8.26%	14,051,842.94	-	100.00%
Among: Changchun FAW Sihuan Transmission Gear Factory	13,691,948.88	8.05%	13,691,948.88	-	100.00%
Total	170,059,117.98	100.00%	15,490,320.85	154,568,797.13	

Account Age	31 December 2010				
	Amount (Original Occurred Amount)	Proportion to Total Amount	Provision for Bad Debts	Book Value	Proportion for Making Provision for Bad Debts
0-6 Months	187,809,388.30	91.40%	-	187,809,388.30	-
7-12 Months	376,048.26	0.18%	18,802.41	357,245.85	5.00%
1-2 Years	2,614,614.32	1.27%	261,461.43	2,353,152.89	10.00%
2-3 Years	567,689.39	0.28%	170,306.82	397,382.57	30.00%
3-4 Years	5,782,809.49	2.81%	5,692,293.40	90,516.09	50.00%
Among: Changchun FAW Sihuan Transmission Gear Factory	5,601,777.30	2.73%	5,601,777.30	-	100.00%
Over 4 Years	8,348,803.45	4.06%	8,348,803.45	-	100.00%
Among: Changchun FAW Sihuan Transmission Gear Factory	8,090,171.58	3.94%	8,090,171.58	-	100.00%
Total	205,499,353.21	100.00%	14,491,667.51	191,007,685.70	

(1) In the accounts receivable, there are no arrears of the shareholders holding over 5% (5% included) shares of the Company.

(2) In the accounts receivable, the total amount of the arrears of top five debtors and the proportions to the total of accounts receivable are as follows:

Iterm	31 December 2011		31 December 2010	
	Amount (Original Occurred Amount)	Proportion to Total Amount	Amount (Original Occurred Amount)	Proportion to Total Amount
Total of the top five	97,734,725.23	57.47%	123,254,917.19	59.98%

(All amounts are stated in Rmb Yuan unless otherwise stated)

(3) Provision for Bad Debts

Item	Amount
31 December 2010	14,491,667.51
Increase for current period	998,653.34
Reversal of provision for current period	-
31 December 2011	15,490,320.85

By using individual valuation method, the company evaluated the value of the accounts receivable of "Changchun FAW Sihuan Transmission Gear Factory" and confirmed the full provision for bad debts of it. The total provision for bad debts is RMB 13,691,948.88.

4. Advance to Suppliers

Account Age	31 December 2011		31 December 2010	
	Amount	Proportion to Total Amount	Amount	Proportion to Total Amount
0-1 Years	17,870,516.25	85.21%	6,396,124.01	48.97%
1-2 Years	18,679.00	0.09%	4,120,150.05	31.55%
2-3 Years	3,083,422.05	14.70%	2,544,000.90	19.48%
Over 3 Years	0.90	-	-	-
Total	20,972,618.20	100.00%	13,060,274.96	100.00%

In the advance payments, there is no arrears of the shareholders holding more than 5% (5% is included) shares of the Company.

5. Other Receivables

Account Age	31 December 2011				
	Amount (Original Occurred Amount)	Proportion to Total Amount	Provision for Bad Debts	Book Value	Proportion for Making Provision for Bad Debts
0-6 Months	11,962,583.27	76.10%	-	11,962,583.27	-
7-12 Months	1,553,844.93	9.88%	-	1,553,844.93	-
1-2 Years	146,218.00	0.93%	-	146,218.00	-
2-3 Years	523.00	-	-	523.00	-
3-4Years	2,058,053.47	13.09%	-	2,058,053.47	-
Over 4 Years	738.44	-	-	738.44	-
Total	15,721,961.11	100.00%	-	15,721,961.11	

(continue)

Account Age	31 December 2010				
	Amount (Original Occurred Amount)	Proportion to Total Amount	Provision for Bad Debts	Book Value	Proportion for Making Provision for Bad Debts
0-6 Months	2,475,648.00	52.18%	-	2,475,648.00	-
7-12 Months	152,021.98	3.20%	-	152,021.98	-
1-2 Years	25,523.00	0.54%	-	25,523.00	-
2-3 Years	2,090,522.04	44.06%	-	2,090,522.04	-
3-4Years	-	-	-	-	-
Over 4 Years	738.44	0.02%	-	738.44	-
Total	4,744,453.46	100.00%	-	4,744,453.46	

(1) In the other accounts receivable, the amount of the arrears of the shareholders holding more than 5% (5% is included) shares of the Company is as follow:

Enterprise Name	31 December 2011	Proportion to Total Amount
China FAW Corporation Limited	3,315,906.22	21.09%

(2) In the other accounts receivable, the total amount of the arrears of top five debtors and the proportions to the total of accounts receivable are as follows:

Item	31 December 2011		31 December 2010	
	Amount (Original Occurred Amount)	Proportion to Total Amount	Amount (Original Occurred Amount)	Proportion to Total Amount
Total of the top five	15,257,898.99	97.05%	4,552,350.47	95.95%

(All amounts are stated in Rmb Yuan unless otherwise stated)

6. Inventories

Item	31 December 2011		31 December 2010	
	Amount	Provision	Amount	Provision
Raw materials	101,594,556.03	-	91,722,401.58	-
Turnover materials(Dies)	79,378,017.31	-	66,851,902.12	-
Finished goods	39,483,382.89	-	31,284,600.28	-
Work in progress	49,637,339.13	-	36,517,972.79	-
Materials in consignment	9,530,891.03	-	4,226,955.91	-
Total	279,624,186.39	-	230,603,832.68	-

The company obtained 20,000,000.00 yuan short-term borrowings by pledging the book value about 37,219,920.80 yuan of raw materials.

7. Fixed Assets, Accumulated Depreciation

Categories	31 December 2010	Current Increase	Current Decrease	31 December 2011
Original Value				
Buildings and structures	66,961,261.82	311,717.78	-	67,272,979.60
Machinery equipment	332,635,995.06	33,752,623.01	21,151,798.64	345,236,819.43
Electrical and other Equipments	4,436,693.84	1,234,223.88	-	5,670,917.72
Transport Equipments	2,595,919.73	624,503.25	120,000.00	3,100,422.98
Die	28,097,770.93	4,685,410.35	-	32,783,181.28
Total	434,727,641.38	40,608,478.27	21,271,798.64	454,064,321.01
Accumulated Depreciation				
Buildings and structures	5,201,739.45	1,214,191.40	-	6,415,930.85
Machinery equipment	42,841,146.13	10,763,581.03	3,744,073.69	49,860,653.47
Electrical and other Equipments	3,005,100.98	506,235.59	-	3,511,336.57
Transport Equipments	755,208.44	549,169.02	34,200.00	1,270,177.46
Die	5,179,541.92	2,248,503.13	-	7,428,045.05
Total	56,982,736.92	15,281,680.17	3,778,273.69	68,486,143.40
Net Value	377,744,904.46			385,578,177.61
Provision for impairment loss on fixed assets	-			-
Book Value	377,744,904.46			385,578,177.61

(1) The converted construction in progress of current period is 34,638,750.86 yuan.
(2) The decrease 18,363,889.42 yuan of gross value of fixed assets is linked to fixed asset renewal transfer to construction in progress.
(3) The company used 210 machinery equipments of fixed assets which book value is 169,541,837.02 yuan and 3 machinery equipments of constructions in progress which book value is 28,681,253.60 yuan for sale-leaseback business, then obtained 114,000,000.00 yuan margin loans.
(4) The company obtained 60,000,000.00 yuan credit line by mortgaging the machinery equipments which original value is 104,032,653.76 yuan to the bank. Under this agreement, the company obtained 40,000,000.00 yuan short-term borrowings.

8. Constructions in Progress

(1) Book Value

Items	31 December 2011	31 December 2010
Cost	151,092,174.54	29,336,254.53
Provision	-	-
Book Value	151,092,174.54	29,336,254.53

(2) Current Increase and Decrease

Project Name	31 December 2010	Current Increase	Interests Capitalized	Converted Fixed Amount of Current Period	31 December 2011
Updating mechanical and power equipments	14,037,940.99	67,511,396.32	-	29,710,337.70	51,838,999.61
Improving mechanical and power equipments	14,798,313.54	11,890,661.37	-	4,928,413.16	21,760,561.75
Updating and purchasing electrical equipments	500,000.00	-	-	-	500,000.00
Shaft & gear project	-	76,992,613.18	1,631,406.27	-	76,992,613.18
Total	29,336,254.53	156,394,670.87	1,631,406.27	34,638,750.86	151,092,174.54

Details of the sale-leaseback business, refer to (3) in "7 .Fixed Assets, Accumulated Depreciation" of "VI. Notes to significant Accounts" .

(All amounts are stated in Rmb Yuan unless otherwise stated)

9. Construction material

Items	31 December 2011	31 December 2010
Advance for the equipment	54,308,363.60	18,307,902.77
Provision for impairment loss	-	-
Total	54,308,363.60	18,307,902.77

10. Intangible assets

Items	31 December 2010	Current Increase	Current Decrease	31 December 2011
Land use right	23,713,779.36	1,006,031.25	580,504.32	24,139,306.29
Software	643,926.68	-	141,257.64	502,669.04
Total	24,357,706.04	1,006,031.25	721,761.96	24,641,975.33

In 2005, the company gained the land access card［Chang Chun Gao Xin Guo Yong［2005］No 010900006］. The area of land is 39,375.00㎡ and the expiry date is 31st July 2053. In 2010, the company replaced the new land access card［Chang Chun Gao Xin Guo Yong［2010］No 090018362］.Current increase of land use right is deed tax paid in 2010.

11. Short-term Loans

Items	31 December 2011		
	Amount	Due Time	Monthly Interest rate
Credit Loan	127,000,000.00	2011.8.4-2012.11.28	Floating
Loan Pledged (1)	25,000,000.00	2011.11.21-2012.5.21	0.56%
Loan Pledged (2)	35,000,000.00	2011.4.2-2012.4.2	Floating
Loan Pledged (3)	19,500,000.00	2011.12.6-2012.6.6	Floating
Loan Pledged (4)	20,000,000.00	2011.1.19-2012.1.18	Floating
Mortgage Loan(5)	27,000,000.00	2011.2.12-2012.2.10	Floating
Mortgage Loan(5)	13,000,000.00	2011.9.5-2012.9.5	Floating
Notes Discount	4,450,000.00	-	-
Factoring Loan(6)	35,000,000.00	2011.9.20-2012.2.16	Floating
Total	305,950,000.00		

Items	31 December 2010		
	Amount	Due Time	Monthly Interest rate
Credit Loan	127,000,000.00	2010.8.20-2011.11.28	0.44%、0.46%
Loan Pledged	20,000,000.00	2010.1.20-2011.1.19	Floating
Mortgage Loan	10,000,000.00	2010.6.21-2011.6.21	Floating
Notes Discount	41,332,824.00	-	-
Factoring Loan	53,300,000.00	2010.8.23-2010.5.11	0.41%、0.43%
Total	251,632,824.00		

(1) The company obtained 25,000,000.00 yuan short-term borrowings by pledging the book value about 28,920,000.00 yuan of bank acceptance.
(2) The company obtained 35,000,000.00 yuan short-term borrowings from China Citic Bank Changchun FAW Sub-branch by pledging book value about 39,400,000.00 yuan of accounts receivable.
(3) The company obtained 19,500,000.00 yuan short-term borrowings from China Citic Bank Changchun FAW Sub-branch by pledging book value about 22,792,570.53 yuan of accounts receivable.
(4) The company obtained 20,000,000.00 yuan short-term borrowings by pledging the book value about 37,219,920.80 yuan of raw materials.
(5) The company obtained 60,000,000.00 yuan credit line from China Merchants Bank by mortgaging 31 machinery equipments which original value is 104,032,653.76 yuan. Under this agreement, the company obtained 40,000,000.00 yuan short-term borrowings.
(6) The company obtained 35,000,000.00 yuan factoring loan by using its accounts receivable which original occurred amount is 41,150,452.47 yuan .

12. Notes Payable

Items	31 December 2011	31 December 2010
Bank Acceptance	35,000,000.00	30,712,260.00
Trade Acceptance	-	-
Total	35,000,000.00	30,712,260.00

13. Accounts Payable

Items	31 December 2011	31 December 2010
Balance	195,301,852.24	192,796,157.98
Including：over 3 years	477,131.26	9,448,772.78

The Company has no arrears owing to the shareholders holding over 5% (5% is included) voting right.

(All amounts are stated in Rmb Yuan unless otherwise stated)

14. Advance From Customers

Items	31 December 2011	31 December 2010
Balance	3,652,117.97	1,798,658.52
Including: over 1 years	890,773.98	180,689.23

(1) The Company has no arrears owing to the shareholders more than 5% (5% is included) stock equity with voting right.

(2) The advance receipts over one year mainly include advanced expenses in the trial forge manufacture.

15. Employees Salary Payable

Items	31 December 2010	Current Increase	Current Payment	31 December 2011
One. Wage, Bonus, Allowance and Subsidy	1,500,410.94	64,328,657.14	65,829,068.08	-
Two. Employees' Welfare	-	9,136,869.07	9,136,869.07	-
Three. Social Securities	-	34,765,445.27	34,765,445.27	-
In which: Medical Insurance	-	9,208,907.01	9,208,907.01	-
Basic pension insurance	-	22,631,602.50	22,631,602.50	-
Unemployment Insurance	-	1,999,603.01	1,999,603.01	-
Work-Related Insurance	-	614,802.00	614,802.00	-
Maternity Insurance	-	310,530.75	310,530.75	-
Four. Housing Accumulation Fund	-	19,079,982.00	19,072,991.00	6,991.00
Five. Trade Union Outlays and Employees' Education Outlay	297,802.04	1,393,210.43	1,691,012.47	-
Six. Non-monetary welfare	-	-	-	-
Seven. Compensation to the dismissal of Labor Contract	2,040,120.59	382,042.44	367,795.43	2,054,367.60
Eight. Others	17,502.69	4,803,120.48	4,805,876.48	14,746.69
In which: Payment of Shares Settled in Cash	-	-	-	-
Total	3,855,836.26	133,889,326.83	135,669,057.80	2,076,105.29

16. Taxes Payable

Taxes	31 December 2011	31 December 2010
Value-Added tax	1,544,232.42	368,986.26
Stamp tax	182,900.00	525,000.49
Individual Income tax	162,576.95	929,180.24
Urban construction and maintenance tax	111,801.24	-
Education surcharge	79,858.03	-
Total	2,081,368.64	1,823,166.99

17、Accrued Interest Payable

Items	31 December 2011	31 December 2010
Balance	1,122,979.17	-

18. Other Payables

Items	31 December 2011	31 December 2010
Balance	23,625,871.19	20,448,654.19
Including：over 3 years	10,931,934.44	6,960,174.44

The Company owes the investor, China FAW Corporation Limited, RMB 22,837,620.00. The proportion is 100%, all of which is the rental charge of land use right.

19. Non-current Liability Maturing Within One Year

Items	31 December 2011	31 December 2010
Balance	-	53,000,000.00

The Company obtained 53,000,000.00 yuan long-term borrowings by mortgaging the fixed assets -EXY12500 which original value is 65,650,977.69 yuan to the bank. The Company has been paid off the loan on October 25, 2011.

20. Long-term Loans

Items	31 December 2011			31 December 2010		
	Amount	Maturity Time	Monthly interest rate	Amount	Maturity Time	Monthly interest rate
Credit Loan	99,500,000.00	2011.9.5-2016.12.17	7.76%	-	-	-
Total	99,500,000.00			-	-	-

The company signed 0.37 billion credit agreement with Bank of Communications Changchun FAW Sub-branch. for Shaft &

(All amounts are stated in Rmb Yuan unless otherwise stated)

gear project and obtained 99,500,000.00 yuan long-term borrowings. Meantime, the bank has the priority mortgage rights of Shaft & gear project, when it completed.

21. Long-term Payable

Items	31 December 2011	31 December 2010
Balance	115,331,596.17	8,340.76

Details of the sale-leaseback business, refer to (3) in "7 .Fixed Assets, Accumulated Depreciation" of "VI. Notes to significant Accounts" .

22. Paid-in Capital

Name of Shareholders	31 December 2010	Increase of Current Period	Decrease of Current Period	31 December 2011
Bharat Forge Hong Kong Limited	295,606,104.52	-	-	295,606,104.52
China FAW Corporation Limited	273,794,222.89	-	-	273,794,222.89
Total	569,400,327.41	-	-	569,400,327.41

The above paid-up capital have been verified by Jilin Zhengze Certified Public Accountants and Jilin Wanxin Certified Public Accountants with the Ji Zheng Ze Kuai Yan Zi[2006] No. 23 capital verification report , Ji Zheng Ze Kuai Yan Zi[2007] No.23 capital verification report , Ji Zheng Ze Kuai Yan Zi[2008] No.13 capital verification report , Ji Wan Xin Yan Zi[2010] No.009 capital verification report and Ji Wan Xin Yan Zi[2010] No.014 capital verification report.

23. Capital Surplus

Item	31 December 2010	Increase of Current Period	Decrease of Current Period	31 December 2011
Accepted non-cash assets donation	73,876.97	-	-	73,876.97

24. Undistributed Profits

Items	31 December 2011	31 December 2010
Net Profit	3,729,072.27	25,012,870.50
Add: Undistributed profit at the beginning of year.	-141,029,178.34	-166,042,048.84
Profit Available for Distribution	-137,300,106.07	-141,029,178.34
Less: Appropriation of staff bonus and welfare reserve	-	-
Appropriation of reserve fund	-	-
Appropriation of enterprise expansion fund	-	-
Dividend payable of common shares	-	-
Dividend of common stock transferred to paid-in capital	-	-
Undistributed Profit at the end of year	-137,300,106.07	-141,029,178.34

25. Operating Revenue and Operating Costs

(1) Operating Revenue

Items	31 December 2011	31 December 2010
Main Business Revenue	812,030,645.78	845,031,623.72
Other Business Revenue	55,220,591.63	49,462,359.45
Total	867,251,237.41	894,493,983.17

(2) Operating Costs

Items	31 December 2011	31 December 2010
Main Business Costs	712,361,453.84	746,452,284.21
Other Business Costs	6,218,468.04	2,128,050.08
Total	718,579,921.88	748,580,334.29

(3) Display in accordance with the kinds of main businesses：

Items	31 December 2011		
	Operating Revenue	Operating Costs	Operating Profit
Forging	626,739,299.22	573,761,282.65	52,978,016.57
Other Products	185,022,802.38	138,599,896.17	46,422,906.21
Materials	5,478,676.13	4,464,547.17	1,014,128.96
Labor Service	268,544.18	275.02	268,269.16
Waste	47,819,465.65	-	47,819,465.65
Others	1,922,449.85	1,753,920.87	168,528.98
Total	867,251,237.41	718,579,921.88	148,671,315.53

Items	31 December 2010		
	Operating Revenue	Operating Costs	Operating Profit
Forging	725,144,680.24	656,264,022.79	68,880,657.45
Other Products	119,835,915.73	90,188,261.42	29,647,654.31

(All amounts are stated in Rmb Yuan unless otherwise stated)

Materials	3,016,154.96	2,128,050.08	888,104.88
Labor Service	51,027.75	-	51,027.75
Waste	43,450,657.49	-	43,450,657.49
Others	2,995,547.00	-	2,995,547.00
Total	894,493,983.17	748,580,334.29	145,913,648.88

(4) Totals Sales to Top 5 Clients and proportion to the whole sales：

Items	31 December 2011	
	Total Sales	Proportion
Total of Sales to Top 5 Clients	567,310,586.27	65.41%

Items	31 December 2010	
	Total Sales	Proportion
Total of Sales to Top 5 Clients	550,515,840.48	61.54%

26. Operating tax

Items	31 December 2011	31 December 2010
Business tax	1,036.58	-
Urban construction and maintenance tax	1,123,751.03	-
Education surcharge	707,898.51	-
Total	1,832,686.12	-

27. Selling expense

Items	31 December 2011	31 December 2010
Transportation expense	13,143,790.44	11,874,143.99
Claim payment	3,723,445.94	5,046,833.44
Salary	2,313,968.50	1,913,774.00
Others	871,775.74	446,201.76
Publicity expenses	156,640.00	15,128.21
Depreciation	11,476.41	15,550.11
Total	20,221,097.03	19,311,631.51

28. Administrative expense

Items	31 December 2011	31 December 2010
Salary	50,955,054.28	41,974,013.74
Repair charges of fixed asserts	29,537,817.25	25,155,746.09
Rental fee	4,675,979.38	4,796,758.99
Depreciation and amortization	2,353,532.37	1,792,929.21
Travel expenses	1,768,463.78	2,022,842.09
Heating costs	1,691,208.04	1,538,172.24
Other tax	1,282,046.59	1,492,936.33
Others	1,197,344.08	1,681,392.13
Business entertains	1,074,355.30	758,763.79
Transportation expense	817,769.11	738,321.57
Property insurance	740,262.89	594,375.32
Intermediary fees	670,088.40	622,492.90
Office expenses	430,387.30	531,055.97
The loss of inventories	-	703,949.59
Total	97,194,308.77	84,403,749.96

29. Finance Costs

Items	31 December 2011	31 December 2010
Interests expenses	23,325,775.32	16,238,214.18
Less: Interest income	568,809.73	1,009,333.67
Exchange loss or profit	-62,824.99	14,655.49
Bank charges	2,341,539.95	1,245,279.68
Total	25,035,680.55	16,488,815.68

(All amounts are stated in Rmb Yuan unless otherwise stated)

30. Impairment Losses

Items	31 December 2011	31 December 2010
Provision of bad debts	998,653.34	126,977.98

31.Non-operating income

Items	31 December 2011	31 December 2010
Government subsidies	11,700.00	-
Profit from disposal of non-current assets	1,354,744.02	-
Compensation and penalty receipt	512,450.81	391,746.89
Others	50,000.00	-
Total	1,928,894.83	391,746.89

32. Non-operating expenditures

Items	31 December 2011	31 December 2010
Loss from disposal of non-current assets	660,880.07	629,529.15
Compensation	33,338.23	168,297.35
Flood control fund	894,493.98	-
Others	-	163,523.64
Total	1,588,712.28	961,350.14

33. Other cash received relating to operating activities of current period, among:

Items	Current period
Interest income	643,809.73
Receivable for petty cash	475,086.52
Total	1,118,896.25

34. Cash paid relating to other operating activities of current period, among:

Items	Current period
Security deposit	11,400,000.00
Receivable for petty cash	3,139,741.67
Bank charges	2,341,539.95
Travel expenses	1,343,314.33
Business entertains	1,018,431.70
Total	19,243,027.65

35. Other cash received relating to financing activities of current period, among:

Items	Current period
Margin loans of Sale-and-leaseback	114,000,000.00

36. Notes to the Cash Flow Statement

Items	Current period
(1) Cash flow generated from converting the net profit into the operating activities	
Net Profit	3,729,072.27
Add: Reserve for Assets Depreciation	998,653.34
Fixed Assets Depreciation, loss of oil and natural gas assets, production-oriented biological assets depreciation	15,281,680.17
Amortization of Intangible Assets	721,761.96
Amortization of Long-term Expenses to be Amortized	-
Loss resulting from disposing fixed assets, intangible assets and other long-term assets (Income is filled with "-")	-693,863.95
Loss resulting from discarding the fixed assets (the income is filled with "-")	-
Loss resulting from change of impartial value (the income is filled with "-").	-
Financial Costs (the income is filled with "-")	22,384,959.81
Investment Loss (income is filled with "-")	-
Decrease of deferred income tax assets(the increase is filled with "-")	-
Increase of deferred income tax liabilities (Decrease is filled with "-")	-
Decrease of Inventories (increase is filled with "-")	-33,646,887.93
Decrease of operational receivables (increase is filled with "-")	18,414,423.98
Increase of operational payables (decrease is filled with "-")	-57,219,959.93
Others	-
Net Amount of Cash Flow Generated by Operating Activities	-30,030,160.28
(2) Investment and capital-raising activities not relating to the cash receipts and expenditures	
Converting the debts into capital	-

Negotiable corporate bonds maturing within one year	-
Leasing the fixed assets through financing	-

(3) Change of Cash and Cash Equivalents	
Ending Balance of Cash	67,561,950.71
Less: Beginning Balance of Cash	31,748,086.14
Add: Ending balance of cash equivalents	-
Less: Beginning Balance of Cash Equivalent	-
Increase of cash and cash equivalents	35,813,864.57

VII. Relations with Related Parties and Transactions

1. Information of the controller

(1) Information of the controller

Enterprise Name	Registration Address	Business Character	Relationship with the Company	Economical Character	Legal Representative
Bharat Forge Hong Kong Limited	Hong Kong	Investment Corporation	Major Parent Enterprise	Limited Corporation	B.N.Kalyani

(2) The proportion of equity interest held and changes therein

Enterprise Name	31 December 2010		Increase of Current Period		Decrease of Current Period		31 December 2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Bharat Forge Hong Kong Limited	295,606,104.52	51.85%	-	-	-	-	295,606,104.52	51.85%

(3) Transactions with the controller

① Transactions with the controller

There is no transaction with the controller in the report period.

② Amount receivable from and payable to the controller

There is no amount receivable from or payable to the controller at the end of the report period.

2. Information of related parties without the control relationship

(1) Related parties without the control relationship

Enterprise Name	Relationship with the Company
China FAW Corporation Limited	Investor who has significant influence
Tianjin FAW XIALI Automobile Co., Ltd	Controlled subsidiary of China FAW Corporation Limited
FAW Volkswagen Automobile Co., Ltd.	Controlled subsidiary of China FAW Corporation Limited
Changchun Gear Factory of FAW CAR Co., Ltd.	Controlled subsidiary of China FAW Corporation Limited
FAW Jiefang Automobile Co., Ltd.	Wholly-owned subsidiary of China FAW Corporation Limited
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Controlled subsidiary of China FAW Corporation Limited
Purchase Centre of FAW	Wholly-owned subsidiary of China FAW Corporation Limited
FAW Power Energy Branch Company	Branch of China FAW Corporation Limited
Technical Centre of FAW	Branch of China FAW Corporation Limited
Inspection Center of FAW	Wholly-owned subsidiary of China FAW Corporation Limited
FAW Import & Exports Corporation	Wholly-owned subsidiary of China FAW Corporation Limited
Qiming Information Technology Co., Ltd	Controlled subsidiary of China FAW Corporation Limited’s parent company
Harbin Light-duty truck Factory of FAW	Controlled subsidiary of China FAW Corporation Limited’s parent company
FAW Jiefang Automotive Company , Ltd. Transmission Company.	Wholly-owned subsidiary of China FAW

(All amounts are stated in Rmb Yuan unless otherwise stated)

	Corporation Limited's parent company
Warehouse Centre of FAW	Wholly-owned subsidiary of China FAW Corporation Limited's parent company
Axle Branch Company FAW Jiefang Automobile Co., Ltd.	Wholly-owned subsidiary of China FAW Corporation Limited's parent company
Engine Branch Company of FAW Jiefang Automobile Co., Ltd.	Wholly-owned subsidiary of China FAW Corporation Limited's parent company
Wuxi Diesel Oil Branch Company of FAW Jiefang Automobile Co., Ltd.	Wholly-owned subsidiary of China FAW Corporation Limited's parent company
FAW JieFang Automotive Co.,Ltd-Special vehicle Branch	Wholly-owned subsidiary of China FAW Corporation Limited's parent company

(2) Transaction of Related Parties

① Sales and Labor Service

Related Parties	Related Transaction	Transaction Amount
FAW Jiefang Automobile Co., Ltd.	Forging Sales	315,602,951.14
FAW Jiefang Automobile Co., Ltd.	Materials Sales	816,468.00
FAW Jiefang Automotive Company , Ltd. Transmission Company.	Forging Sales	14,961,781.30
Harbin Light-duty truck Factory of FAW	Forging Sales	5,115,434.88
Changchun Gear Factory of FAW CAR Co., Ltd.	Forging Sales	7,789,784.60
Technical Centre of FAW	Forging Sales	534,723.64
Technical Centre of FAW	Waste Sales	228.80
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Forging Sales	17,895.87
Engine Branch Company of FAW Jiefang Automobile Co., Ltd.	Forging Sales	451,358.74
FAW Power Energy Branch Company	Forging Sales	8,186.20
FAW Volkswagen Automobile Co., Ltd.	Materials Sales	15,000.00
Tianjin FAW XIALI Automobile Co., Ltd	Forging Sales	1,979,144.76
Total		347,292,957.93

② Procurement and Labor Received

Related Parties	Related Transaction	Transaction Amount
FAW Power Energy Branch Company	Procurement of kinetic energy	63,487,001.81
Warehouse Centre of FAW	Transportation services	2,197,828.00
FAW Jiefang Automobile Co., Ltd.	Procurement of section steel	834,515.00
Qiming Information Technology Co., Ltd	Technology transfer fee	800,429.00
Inspection Center of FAW	Testing services	230,217.60
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Procurement of die	217,800.00
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Labor received	24,302.50
FAW Volkswagen Automobile Co., Ltd.	Network rental fee	5,760.00
Total		67,797,853.91

③ Amount receivable from and payable to related parties

Enterprise Name	31 December 2011	
	Amount	Proportion
Notes Receivable		
FAW Jiefang Automobile Co., Ltd.	950,000.00	1.54%
Accounts Receivable		
FAW Jiefang Automobile Co., Ltd.	42,003,366.04	24.70%
FAW Jiefang Automotive Company , Ltd. Transmission Company.	4,373,357.41	2.57%
Harbin Light-duty truck Factory of FAW	2,955,373.00	1.74%
Changchun Gear Factory of FAW CAR Co., Ltd.	2,335,394.78	1.37%
FAW Volkswagen Automobile Co., Ltd.	2,282,450.00	1.34%
FAW JieFang Automotive Co.,Ltd-Special vehicle Branch	1,277,819.78	0.75%
Axle Branch Company FAW Jiefang Automobile Co., Ltd.	955,267.56	0.56%
Tianjin FAW XIALI Automobile Co., Ltd	129,838.93	0.08%
Wuxi Diesel Oil Branch Company of FAW Jiefang Automobile Co., Ltd.	120,181.48	0.07%
Engine Branch Company of FAW Jiefang Automobile Co., Ltd.	74,010.73	0.04%
Technical Centre of FAW	15,472.08	0.01%
Total	56,522,531.79	33.23%
Other Receivables		
China FAW Corporation Limited	3,315,906.22	21.09%

(All amounts are stated in Rmb Yuan unless otherwise stated)

Accounts Payable		
FAW Power Energy Branch Company	10,101,626.79	5.17%
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	3,187,206.10	1.63%
FAW Jiefang Automobile Co., Ltd.	937,301.70	0.48%
Warehouse Centre of FAW	507,115.95	0.26%
Inspection Center of FAW	253,181.40	0.13%
Qiming Information Technology Co., Ltd	80,629.00	0.04%
Purchase Centre of FAW	76,588.67	0.04%
Total	15,143,649.61	7.75%
Advance From Customers		
FAW Import & Exports Corporation	6,161.35	0.17%
Other Payables		
China FAW Corporation Limited	22,837,620.00	96.66%

VIII. Contingent matters

The company has no undisclosed significant insured matters.

IX. Significant commitment

The company has no undisclosed significant commitment.

The reader is advised that this report has been prepared originally in Chinese. In the event of a conflict between this report and the original Chinese version or difference in interpretation between the versions of the report, the Chinese language report shall prevail.

The Adjustment table of the Taxable Income for 2011

Company: FAW Bharat Forge (Changchun) Company Limited. Monetary unit: RMB

Adjusted items	Reasons	Relative regulations	Taxable income(+/-)
Provision for bad debt	No pre-tax deduction is approved with provision for bad debt.	The tax law of China	998,653.34
Business and entertainment	The 40% of business and entertainment can not be deducted.	The tax law of China	429,742.12
Welfare expenses	Over the 14% of the total wage cannot be deducted.	The tax law of China	130,857.08
Trade union outlays	Over the 2% of the total wage cannot be deducted.	The tax law of China	106,637.29
Other Payables-Accrued expenses	No pre-tax deduction is approved with no invoice by the tax law.	The tax law of China	75,000.00
Accrued interest payable	No pre-tax deduction is approved with no invoice by the tax law.	The tax law of China	1,122,979.17
Administrative expenses	No pre-tax deduction is approved with no invoice by the tax law.	The tax law of China	47,833.00
Administrative expenses	Enterprises assume Personal Income Tax can not be deducted.	The tax law of China	282,204.55
Non-operating expenses	Administrative penalty can not be deducted by the tax law.	The tax law of China	33,338.23
Other Payables-Accrued expenses	Reverse accrued expenses of 2010.	The tax law of China	-1,246,325.76
Net increase of taxable income	(1)	1,980,919.02	
Total profit before adjustment	(2)	3,729,072.27	
Less: uncovered losses of prior year	(3)	118,493,294.54	
Taxable income after adjustment	(1)+(2)-(3)	-112,783,303.25	
Deficits which is coverable in the future		-112,997,303.25	

Notes:
1. The table is prepared in accordance with The People's Republic of China Enterprise Income Tax Law and its implementing regulation.
2. The adjustment items of this form only reflect the part found during the auditing and the final adjustment items should be based on certification issued by State Administration of Taxation.

Bharat Forge America, Inc.

Directors
Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. S. E. Tandale

Registered Office
2807, South M.L.K. Jr. Blvd.
Lansing, Michingan 48910
U.S.A.

Auditors
Plate & Moran, PLLC,
1111, Michigan Ave,
East Lansing,
Michigan 48823,
U.S.A.

Independent Auditor's Report

To the Board of Directors
Bharat Forge America, Inc.

We have audited the accompanying balance sheet of Bharat Forge America, Inc. (a wholly owned subsidiary of Bharat Forge, Ltd.) (the "Company") as of December 31, 2011 and 2010 and the related statements of operations, stockholder's equity, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bharat Forge America, Inc. at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11, the Company and its operations continue to be affected by industry conditions, which raise substantial doubts about the Company's ability to continue as a going concern. Management’s future plans in response to these conditions are also described in Note 11. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Plante & Moran, PLLC

April 30, 2012

Bharat Forge America Inc.

Balance Sheet as on 31st December, 2011

			As at 31/12/2010
	Rs.	**USD**	**USD**
Assets			
Current Assets			
Cash and cash equivalents	13,595,620	267,157	699,031
Trade Accounts receivable	158,449,628	3,113,571	2,285,445
Inventories (Note 2)	189,116,451	3,716,181	2,084,281
Reimbursable tooling and production costs	-	-	65,173
Prepaid expenses and other current assets	13,877,347	272,693	64,712
Total current assets	375,039,046	7,369,602	5,198,642
Property, Plant, and Equipment - Net (Note 3)	574,509,220	11,289,236	11,306,783
Deferred Financing Charges - Net	4,623,764	90,858	169,266
Total assets	**954,172,030**	**18,749,696**	**16,674,691**
Liabilities and Stockholder's Equity			
Current Liabilities			
Trade accounts payable	140,170,144	2,754,375	2,123,918
Bank line of credit (Note 4)	196,886,031	3,868,855	-
Current portion of long-term debt (Note 5)	78,653,599	1,545,561	20,741
Related party note payable (Note 9)	86,513,000	1,700,000	-
Accounts payable - Related Party (Note 9)	95,671,012	1,879,957	1,124,857
Accrued liabilities:			
Accrued compensation	9,039,133	177,621	190,425
Accrued interest (Note 9)	2,852,995	56,062	40,215
Deferred Tooling Revenues	-	-	279,989.00
Other accrued liabilities	5,954,995	117,017	80,330
Total current liabilities	615,740,909	12,099,448	3,860,475
Long-Term Debt - Net of current portion (Note 5)	236,344,661	4,644,226	5,940,032
Bank Line of Credit (Note 4)	-	-	3,868,855
Stockholder's Equity	102,086,460	2,006,022	3,005,329
Total liabilities and stockholder's equity	**954,172,030**	**18,749,696**	**16,674,691**

Statement of Operations for the period ended December 31, 2011

			Previous Year
	Rs.	**USD**	**USD**
Sales and Other Revenue	1,359,218,313	26,708,947	19,693,981
Cost of Sales	1,438,043,411	28,257,878	22,056,300
Gross Profit	(78,825,098)	(1,548,931)	(2,362,319)
Selling and Administrative Expenses	143,397,944	2,817,802	2,515,534
Operating Loss	(222,223,042)	(4,366,733)	(4,877,853)
Non operating Income (Expense)			
Other income	9,233,125	181,433	24,467
Interest expense	(30,457,614)	(598,499)	(528,195)
Gain on extinguishment of related party accrued interest (Note 9)	-	-	779,477
Total nonoperating income (expense)	(21,224,489)	(417,066)	275,749
Loss – Before income taxes	(243,447,531)	(4,783,799)	(4,602,104)
Net Loss	**(243,447,531)**	**(4,783,799)**	**(4,602,104)**

Bharat Forge America Inc

Statement of Stockholder's Equity

	Common Stock		Paid Up Capital		Accumulated Deficit		Total	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Balance December 31 , 2009	51	1	971,825,770	19,096,596	(711,908,556)	(13,989,164)	259,917,265	5,107,433
Additional Capital Contributed	-	-	127,225,000	2,500,000	-	-	127,225,000	2,500,000
Net Loss	-	-	-	-	(234,201,072)	(4,602,104)	(234,201,072)	(4,602,104)
Balance December 31 , 2010	51	1	1,099,050,770	21,596,596	(946,109,628)	(18,591,268)	152,941,193	3,005,329
Additional Capital Contributed (Note 9)	-	-	192,592,798	3,784,492	-	-	192,592,798	3,784,492
Net Loss	-	-	-	-	(243,447,531)	(4,783,799)	(243,447,531)	(4,783,799)
Balance December 31 , 2011	51	1	1,291,643,568	25,381,088	(1,189,557,159)	(23,375,067)	102,086,460	2,006,022

Bharat Forge America Inc

Statement of Cash Flow for the period ended December 31 , 2011

	Rs.	USD	Previous Year USD
Cash Flow from Operating Activities			
Net Loss	(243,447,531)	(4,783,799)	(4,602,104)
Adjustments to reconcile net loss to net cash fom Operating Activities :			
Depreciation	73,558,951	1,445,450	1,390,167
(Gain) Loss On Disposal of property and equipment	7,098,492	139,487	(519,191)
Bad Debt Expense	(1,183,498)	(23,256)	19,757
Gain on extinguishment of related party accrued interest	-	-	(779,477)
Amortisation of Deferred Financing charges	4,982,538	97,908	116,106
Changes in operating assets and liabilities which provided (used) cash :			
Account Receivable	(40,959,834)	(804,870)	24,894
Inventory	(83,047,391)	(1,631,900)	(505,672)
Reimbursable Tooling and Production costs	3,316,654	65,173	(20,356)
Prepaid expense and other assets	(10,584,153)	(207,981)	138,490
Accounts Payable	70,510,996	1,385,557	1,424,982
Deferred tooling revenue	(14,248,640)	(279,989)	279,989
Accrued and other liabilities	2,021,860	39,730	(8,330)
Net cash (used in) provided by operating acitivties	(231,981,556)	(4,558,490)	(3,040,745)
Cash Flow from Investing Acitivities			
Purchase of property, plant and equipment	(87,190,600)	(1,713,315)	(466,238)
Proceeds from disposition of property, plant and equipment	7,426,123	145,925	1,030,658
Net cash used in financing activity	(79,764,477)	(1,567,390)	564,420
Cash Flow from Financing Acitivities			
Proceeds from debt	292,546,203	5,748,599	5,940,032
Payments on debt	(1,785,883)	(35,093)	(5,774,908)
Payments of financing charges	(992,355)	(19,500)	(248,334)
Proceeds from (payments on) revolving credit facilities - Net	-	-	417,400
Contribution of additional Paid- up Capital	-	-	2,500,000
Net cash provided by financing activities	289,767,965	5,694,006	2,834,190
Net (Decrease) Increase in Cash and Cash Equivalents	(21,978,068)	(431,874)	357,865
Cash and Cash Equivalents - Beginning of Year	35,573,688	699,031	341,166
Cash and Cash Equivalents - End of Year	13,595,620	267,157	699,031
Supplemental Cash Flow Information			
Cash paid for Interest	29,651,160	582,652	502,640

Note 1 - Nature of Business and Significant Accounting Policies

Bharat Forge America, Inc. (the "Company") produces hot and near-net steel (carbon, alloy, and stainless) forgings. The Company utilizes modern presses, using computer design and process controls, to produce precision and high-quality forgings and also produces heat-treated and machined components. The Company sells its products to customers in automotive, light truck, construction, agriculture, and military markets primarily in North America. The Company is a wholly owned subsidiary of Bharat Forge, Ltd. (the "Parent"), an Indian company.

Major Customers - Sales indirectly to General Motors through Lemforder Corporation were $9,150,000 and $13,781,000 for the years ended December 31, 2011 and 2010, respectively, and the amount due from Lemforder Corporation included in accounts receivable at December 31, 2011 and 2010 was $909,000 and $957,000, respectively. Sales to Mahle, Inc. were $7,026,000 and $27,000 for the years ended December 31, 2011 and 2010, respectively, and the amount due from Mahle, Inc. included in accounts receivable at December 31, 2011 and 2010 was $436,000 and $22,000, respectively.

Cash and Cash Equivalents - The Company considers all investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Trade Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts was approximately $10,000 and $33,000 as of December 31, 2011 and 2010, respectively.

Inventories - Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

Pre-production Costs - The Company accounts for pre-production design, development, and tooling costs incurred in connection with long-term supply arrangements based on the nature of the reimbursement arrangement with the customer. Pre-production tooling costs incurred, in excess of reimbursement received, for tooling the Company owns are capitalized and amortized over the term of the related supply agreement. The Company did not incur any pre-production costs during the years ended December 31, 2011 and 2010 on tools that the Company did not own.

The Company collected approximately $280,000 of tooling reimbursements for tooling orders not completed as of December 31, 2010; these amounts were classified as deferred tooling revenues as of December 31, 2010. These orders were completed as of December 31, 2011 and were recognized in earnings in 2011.

Property, Plant, and Equipment - Property, plant, and equipment are recorded at cost. Assets are depreciated using the straight-line method and a units of production method over their estimated useful lives. Major maintenance projects that extend the life of the related equipment are capitalized. Costs of maintenance and repairs are charged to expense when incurred.

Impairment of Long-lived Assets - The Company reviews the recoverability of property, plant, and equipment when events or changes in circumstances occur that indicate that the carrying value of the assets may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the assets from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

No impairment losses were recorded during the years ended December 31, 2011 and 2010.

Income Taxes - A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. A valuation allowance for deferred tax assets is recognized when there is significant uncertainty about the realization of those future tax benefits.

Shipping and Handling Costs - Shipping and handling costs are recorded as costs of sales as they are incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 30, 2012, which is the date the financial statements were available to be issued.

Note 2 - Inventories

Inventory consists of the following at December 31, 2011 and 2010:

	2011	2010
Raw materials	$ 1,429,081	$ 658,555
Work in progress	1,946,247	775,770
Finished goods	340,853	649,956
Total inventory	$ 3,716,181	$ 2,084,281

Note 3 - Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	2011	2010
Land	$ 254,473	$ 254,473
Buildings	371,395	371,395
Building improvements	1,552,993	1,264,689
Machinery and equipment	16,842,808	16,750,433
Production tools and dies	1,411,657	1,291,323
Transportation equipment	62,118	60,118
Furniture and fixtures	143,968	138,623
Computer equipment and software	112,142	107,642
Construction in progress	406,850	225,471
Total cost	21,158,404	20,464,167
Accumulated depreciation	9,869,168	9,157,384
Net property, plant, and equipment	$ 11,289,236	$ 11,306,783

Depreciation expense on property, plant, and equipment was $1,445,450 and $1,390,167 for the years ended December 31, 2011 and 2010, respectively.

Note 4 - Line of Credit

Under a line of credit agreement with a bank, the Company has available borrowings of $3,900,000. The Company is not allowed to re-borrow any amounts repaid. Interest is payable in semiannual installments at the six-month LIBOR plus 4 percent (an effective rate of 4.47 percent as of December 31, 2011). The line matures in June 2012; however, at the discretion of the bank, the line may be renewed for additional one-year periods. The line of credit is cross-defaulted and cross-collateralized with all Company debt. The Company had borrowed $3,868,855 against its line of credit as of December 31, 2011 and 2010.

Note 4 - Line of Credit (Continued)

Under the line of credit agreement with the bank, the Company is subject to various financial and general business covenants, including a minimum net worth, and requirements for additional capital infusions (see Note 5).

Note 5 - Long-term Debt

On June 2, 2010, the Company entered into a credit agreement with another financial institution to refinance the Company's outstanding bank debt. The credit agreement covers the line of credit (see Note 4) and the term loan described below. The Company's Parent, Bharat Forge, Ltd., has executed an indemnity agreement with the bank guaranteeing payment of all amounts borrowed under the credit agreement.

Long-term debt at December 31, 2011 and 2010 is as follows:

	2011	2010
Term loan to a bank, payable in semiannual installments of $1,500,000 beginning November 30, 2012. Interest is payable in semiannual installments at LIBOR plus 4 percent, for an effective rate of 4.47 percent at December 31, 2011. The note is collateralized by substantially all assets of the Company and matures in May 2014	$ 5,940,032	$ 5,940,032
Other	249,755	20,741
Total	6,189,787	5,960,773
Less current portion	1,545,561	20,741
Long-term portion	$ 4,644,226	$ 5,940,032

The balance of the above debt matures as follows:

2012	$ 1,545,561
2013	3,049,576
2014	1,493,976
2015	58,697
Thereafter	41,977
Total	$ 6,189,787

Note 5 - Long-term Debt (Continued)

In conjunction with the bank term note, the Company is subject to various financial and general business covenants, including a minimum net worth, and requirements for additional capital infusions. At December 31, 2011, the Company was not in compliance with certain of these covenants; however, subsequent to year end, the credit agreement was amended and the Company is in compliance with the covenants in the amended agreement.

Note 6 - Income Taxes

The components of the income tax provision included in the statement of operations are attributable to continuing operations and relate entirely to changes in estimates of deferred income tax amounts recoverable. A valuation allowance was recorded for the full amount of the net deferred tax assets as of December 31, 2011 and 2010.

The income tax provision for 2011 and 2010 differs from the benefit that would result from applying statutory rates to the loss before income taxes as a result of certain expenses that are not deductible for tax purposes, as well as the change in the valuation allowance recognized for deferred tax assets.

The details of the deferred tax assets are as follows:

	2011	2010
Total deferred tax liabilities	$ (2,418,000)	$ (2,054,700)
Total deferred tax assets	10,117,000	8,950,700
Valuation allowance recognized for deferred tax assets	(7,699,000)	(6,896,000)
Net deferred tax asset	$ -	$ -

Deferred tax liabilities result principally from accelerated methods of depreciation used for tax purposes and certain items recorded as prepaid expenses for financial reporting purposes that have been deducted for tax purposes. Deferred tax assets result from recognition of expenses for financial reporting purposes that are not deductible for tax purposes until paid and net operating losses.

In assessing whether the Company will realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets resulting from the net operating loss will expire. Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. The Company has loss carryforwards for tax purposes of approximately $26,684,000 that expire through 2031. Based on the level of historical taxable income, a valuation allowance has been recognized for the net deferred tax assets.

Note 6 - Income Taxes (Continued)

As of December 31, 2011 and 2010, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized at or during the years ended December 31, 2011 and 2010.

The Company files income tax returns in U.S. federal and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2007.

Note 7 - Common Stock

Common stock consists of 3,000 authorized shares of $.01 par value stock. As of December 31, 2011 and 2010, there were 60 shares issued and outstanding.

Note 8 - Retirement Plan

At December 31, 2010, the Company had defined contribution 401(k) plans that covered substantially all employees. The plans provided for discretionary contributions by the Company. During the year ended December 31, 2011, the Company terminated the defined contribution 401(k) plan for all union employees. In addition, the Company's matching contribution was suspended during 2011 for salaried employees and no matching contributions were made for the year ended December 31, 2011. Total expense recognized for the year ended December 31, 2010 was approximately $121,000 and no expense was incurred for the year ended December 31, 2011.

Note 9 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

Accounts Payable - At December 31, 2011 and 2010, the Company had accounts payable to its Parent, Bharat Forge, Ltd., totaling $1,879,957 and $1,124,857, respectively, for inventory purchases and advances related to an agreement for the reimbursement of payroll costs associated with several Company employees.

Notes Payable - During the year ended December 31, 2011, the Company borrowed $1,700,000 from CDP Bharat Forge GmbH, a related party that is commonly owned by Bharat Forge, Ltd. The loan is unsecured, payable on December 15, 2012, and interest is payable in monthly installments at three months EURIBOR plus 250 bps p.a., for an effective rate of 3.97 percent at December 31, 2011. The note payable is subordinated to the amounts borrowed under the credit agreement disclosed in Notes 4 and 5.

Also, during the year ended December 31, 2011, the Company borrowed $3,784,492 from a related party, Bharat Forge Scottish Stampings, Ltd. (BFSS). BFSS and Bharat Forge America, Inc., are both wholly owned by Bharat Forge, Ltd. Effective December 31, 2011, BFSS forgave the entire outstanding debt. Due to the related party nature with the common parent company, this transaction has been reported as a contribution of equity.

Note 11 - Management's Plans (Continued)

Total related party interest expense for the year ended December 31, 2011 was approximately $115,000.

During the year ended December 31, 2010, accrued interest totaling approximately $779,000 due to Bharat Forge, Ltd. was forgiven and a gain was recognized as nonoperating income in the statement of operations. The gain on extinguishment of related party accrued interest was treated as a noncash operating transaction for the purpose of the 2010 statement of cash flows.

Purchases - For the years ended December 31, 2011 and 2010, the Company had purchases from affiliates totaling $502,925 and $603,000, respectively.

Note 10 - Cash Flows

During 2011, the Company converted a related party note payable to equity in the amount of $3,784,492 (see Note 9). There were no significant noncash investing and financing transactions during 2010.

Note 11 - Management's Plans

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, as a result of industry factors, sales volumes have decreased significantly and the Company has sustained substantial net losses in recent years ($4,783,799 for the year ended December 31, 2011 and $4,602,104 for the year ended December 31, 2010). In addition, the Company has used substantial amounts of working capital in its operations. In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its obligations as they become due, the ability of the Company to increase sales volumes through the acquisition of new business, and the ability of the Company to reduce operating costs.

Management believes the following actions presently being taken to revise the Company's operations provide the opportunity for the Company to continue as a going concern:

- The Company has changed its cost structure through its recent union negotiations and capital investments. As a result of the revised wage structure, the Company has been able to price their product more competitively which has resulted in the Company being awarded several new sales contracts.
- The Company is also actively reviewing costs on a part-by-part basis, and with this additional information, management believes it will be able to better deploy resources to projects that will provide the greatest return. In addition, this will allow management to focus on parts and areas of the business that need additional restructuring.
- Management is negotiating price increases with several customers and has negotiated the complete pass-through of raw material costs to all customers. The Company is focusing efforts to expand its sales only in segments where it is able to maintain productivity and profitability.
- The Parent is continuing to provide financial support to the Company in the form of equity infusions allowing the Company to launch new products, upgrade its core processes, and add additional capabilities like machining and inspection to achieve required cost reduction goals.

Note 11 - Management's Plans (Continued)

- The company is also evaluating strategic restructuring options to accelerate improvement in financial performance.

Bharat Forge International Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	Boston House Business Centre	Eacotts Limited
Mr. A. B. Kalyani	69-75 Boston Manor Road	Grenville Court, Britwell Road
Mr. S. E. Tandale	Brentford TW8 9JJ	Burnham, Bucks., SL1 8DF
Mr. S. G. Joglekar	United Kingdom	United Kingdom

BHARAT FORGE INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2012

The directors present their report and financial statements for the period ended 31 March 2012.

Principal activities and review of the business
The company was incorporated on the 3rd December 2010. The principal activity of the company was that of the distribution of forged and machined components for the auto industry. The financial statements have been prepared in US Dollars.

Review of the business
The company has invested in establishing a sound base from which it will trade and develop it's client base over the coming year. The initial set up costs have resulted in a loss being incurred for the period to 31 March 2012 but the directors are confident that the results for the next accounting period will show a significant improvement as the company becomes more established and the existing contracts are developed.

The directors are of the opinion that the key performance indicator for this business is the growth in turnover and we are estimating that the turnover for 2013 will be in the region of $ 150 million US Dollars. This growth will be achieved by the introduction of new customers to the business and the continued development of the existing resources.

The company has the continued financial support of the Bharat Forge Group to achieve its objectives and the company will work as per group policies to manage the risks facing the business logistic risks and credit risks. All companies within this market are exposed to these risks and the directors are of the opinion that these risks have been managed in accordance with the groups policy.

Results and dividends
The results for the period are set out on page 5.

Directors
The following directors have held office since 3 December 2010:

B N Kalyani	(Appointed 3 December 2010)
A B Kalyani	(Appointed 3 December 2010)
S G Joglekar	(Appointed 3 December 2010)
P K Maheshwari	(Appointed 3 December 2010 and resigned 21 December
S E Tandale	(Appointed 3 December 2010)

Auditors
Eacotts Limited were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

S G Joglekar
Director
17 May 2012

BHARAT FORGE INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BHARAT FORGE INTERNATIONAL LIMITED

We have audited the financial statements of Bharat Forge International Limited for the period ended 31 March 2012 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

BHARAT FORGE INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BHARAT FORGE INTERNATIONAL LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mr Jeffrey Smith FCA CTA (Senior Statutory Auditor)
for and on behalf of Eacotts Limited

24 May 2012

Chartered Accountants
Statutory Auditor

Grenville Court, Britwell Road
Burnham Buckinghamshire
SL1 8DF

Bharat Forge International Limited

Profit and Loss Account
for the period ended 31st March,2012

	Notes	Period ended 31st March 2012 Rs.	USD
Turnover	2	996,583,399	19,583,089
Cost of sales		(976,213,303)	(19,182,812)
Gross profit		20,370,096	400,277
Administrative expenses		(56,191,415)	(1,104,174)
Operating loss	3	(35,821,319)	(703,897)
Interest payable and similar charges	4	(744,928)	(14,638)
Loss on ordinary activities before taxation		(36,566,247)	(718,535)
Tax on loss on ordinary activities	5	9,499,229	186,662
Loss for the period	12	**(27,067,018)**	**(531,873)**

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account

Bharat Forge International Limited

Balance Sheet
As at 31st March 2012

	Notes	2012		2012	
		Rs.	Rs.	USD	USD
Fixed assets					
Tangible assets	6		6,063,186		119,143
Current assets					
Stocks	7	1,347,836,205		26,485,286	
Debtors	8	333,190,469		6,547,268	
		1,681,026,674		33,032,554	
Creditors : amount falling due within one year	9	(1,708,824,928)		(33,578,796)	
Net current liabilities			(27,798,254)		(546,242)
Total assets less current liabilities			(21,735,068)		(427,099)
			(21,735,068)		**(427,099)**
Capital and reserves					
Called up share capital	11		5,331,950		104,774
Profit and loss account	12		(27,067,018)		(531,873)
Shareholders funds	13		**(21,735,068)**		**(427,099)**

Approved by the Board and authorised for issue on 24 May 2012

S G Joglekar
Director

Company Registration No. 07459638

Bharat Forge International Limited

Cash flow statement
for the period ended 31st March,2012

	Period ended 31st March 2012			
	Rs.	**Rs.**	**USD**	**USD**
Net cash flow from operating activities		(104,846,835)		(2,060,264)
Returns of investments and servicing of finance				
Interest paid	744,928		14,638	
Net cash outflow for returns on investments and servicing of finance		744,928		14,638
Capital expenditure				
Payments to acquire tangible assets	7,453,604		146,465	
Net cash outflow for capital expenditure		7,453,604		146,465
Net cash outflow before management of liquid resources and financing		(113,045,367)		(2,221,367)
Financing				
Issue of ordinary share capital	5,331,950		104,774	
Net cash inflow / (outflow) from financing		5,331,950		104,774
Decrease in cash in the period		(107,713,417)		(2,116,593)

Notes to cash flow statement for the period ended 31st March 2012

A Reconciliation of operating loss to net cash outflow from operating activities

	2012 Rs.	**2012 USD**
Operating (loss) / profit	(35,821,319)	(703,897)
Depreciation of tangible assets	1,390,417	27,322
(Increase)/ decrease in stocks	(1,347,836,205)	(26,485,286)
Increase in debtors	(323,691,239)	(6,360,606)
Increase in creditors within one year	1,601,111,511	31,462,203
Net cash outflow from operating activities	(104,846,835)	(2,060,264)

B Analysis of net debt

	3 December 10	**Cash flow**	**other**
Net Cash			
Bank overdraft in USD	-	(2,116,593)	-
Bank overdraft in INR		(107,713,417)	
Bank deposits	-	-	-
Net debt in USD	**-**	(2,116,593)	-
Net debt in INR		(107,713,417)	

C Reconciliation of net cash flow to movement in net debt

	2012 Rs.	**2012 USD**
Decrease in cash in the period	(107,713,417)	(2,116,593)
Movement in net debt in the period	(107,713,417)	(2,116,593)
Opening net debt	0	0
Closing net debt	(107,713,417)	(2,116,593)

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company incurred significant set up cost in the financial period ended 31 March 2012 which has resulted in a loss being incurred in this period. This loss is not expected to be repeated in the next financial year. The directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. The company has the continued financial support of Bharat Forge Limited, it's ultimate parent company.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

The company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis, except those with significant uncertanties.

Sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.

Interest is accrued over the period of loan/investment.

Dividend is accrued in the year in which it is declared, whereby right to receive is established.

Profit/Loss on sale of investment is recognised on contract date.

1.4 Tangible fixed assets and depreciation

Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. Fixed Assets are shown net of accumulated depreciation and amortisation, as follows:

Plant and machinery	33% Straight line
Fixtures, fittings & equipment	20% Straight line
Motor vehicles	20% Straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Cost of Inventories have been computed to include all cost of Purchases and Other Costs incurred in bringing the inventories to their present location and condition.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1 Accounting policies **(continued)**

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2012

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken from the United Kingdom.

Geographical market

	Turnover
	2012
	$
United States of America	19,583,089
	19,583,089

3 Operating loss	**2012**
	$
Operating loss is stated after charging:	
Depreciation of tangible assets	27,322
Operating lease rentals	160,835
Fees payable to the company's auditor for the audit of the company's annual accounts	23,985
and after crediting:	
Profit on foreign exchange transactions	(35,589)

4 Interest payable	**2012**
	$
On bank loans and overdrafts	13,330
On other loans	1,308
	14,638

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2012

5	Taxation	2012
		$
	Total current tax	-
	Deferred tax	
	Origination and reversal of timing differences	(186,662)
	Factors affecting the tax charge for the period	
	Loss on ordinary activities before taxation	(718,535)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.00%	(186,819)
	Effects of:	
	Non deductible expenses	2,538
	Capital allowances in excess of depn	(16,838)
	Tax losses available to carry forward or group relieved	201,119
		186,819
	Current tax charge for the period	-

The company has estimated losses of $ 773,534 available for carry forward against future trading profits.

The company is in the early stages of establishing its business within the UK and the loss suffered in this period is a result of the initial set up costs of the business. The directors are of the opinion that the company will utilise the losses available in the next accounting period.

6 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	$	$	$	$
Cost				
At 3 December 2010	-	-	-	-
Additions	72,234	11,760	62,471	146,465
At 31 March 2012	72,234	11,760	62,471	146,465
Depreciation				
At 3 December 2010	-	-	-	-
Charge for the period	10,293	2,344	14,685	27,322
At 31 March 2012	10,293	2,344	14,685	27,322
Net book value				
At 31 March 2012	61,941	9,416	47,786	119,143

7 Stocks

	2012
	$
Finished goods, goods for resale and stock in transit	26,485,286

8 Debtors

	2012
	$
Trade debtors	5,920,524
Other debtors	162,268
Prepayments and accrued income	277,814
Deferred tax asset (see note 10)	186,662
	6,547,268

Amounts falling due after more than one year and included in the debtors above are:

	2012
	$
Other debtors	24,464

9 Creditors: amounts falling due within one year

	2012
	$
Bank loans and overdrafts	2,116,593
Amounts owed to parent and fellow subsidiary undertakings	31,070,133
Taxes and social security costs	15,309
Other creditors	204,530
Accruals and deferred income	172,231
	33,578,796

The company's bankers, National Westminster Bank Plc, hold security over all the company's assets (present, future, actual or contingent and whether incurred alone or jointly with another) including interest and expenses.

10 Provisions for liabilities

The deferred tax asset (included in debtors, note 8) is made up as follows:

	2012
	$
Profit and loss account	(186,662)

	2012
	$
Accelerated capital allowances	16,724
Tax losses available	(203,386)
	(186,662)

11 Share capital

	2012
	$
Allotted, called up and fully paid	
64,000 Ordinary shares of £1 each	104,774

During the period the company issued 64,000 Ordinary £1 shares at par, the consideration of which has been received in full as being $104,774.

12 Statement of movements on profit and loss account

	Profit and loss account
	$
Loss for the period	(531,873)

13 Reconciliation of movements in shareholders' funds

	2012
	$
Loss for the financial period	(531,873)
Proceeds from issue of shares	104,774
Net depletion in shareholders' funds	(427,099)
Opening shareholders' funds	-
Closing shareholders' funds	(427,099)

14 Financial commitments

At 31 March 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2013:

	Land and buildings
	2012
	$
Operating leases which expire:	
Within one year	111,801

15 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2012
	Number
Administration	4

Employment costs	**2012**
	$
Wages and salaries	497,035
Social security costs	56,716
	553,751

16 Control

The company is controlled by Bharat Forge Beteilgungs GmbH, the immediate parent company. The ultimate controlling party is Bharat Forge Limited, a company incorporated in India.

17 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

THIS PAGE INTENTIONALLY LEFT BLANK

BF-NTPC Energy Systems Limited

Directors

Mr. B. N. Kalyani
Mr. A. B. Kalyani
Mr. B. P. Singh
Mr. N. N. Misra
Mr. S. C. Pandey
Mr. S. K. Chaturvedi

Registered Office

14th Floor, Antariksha Bhavan,
22, Kasturba Gandhi Marg,
New Delhi - 110 001.

Auditors

S. N. Dhawan & Co
Chartered Accountants
C37, Connaught Place,
New Delhi 110 001.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Fourth Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2011 up to March 31, 2012.

FINANCIAL HIGHTLIGHTS

During the financial year the Company initiated various activities related to entering into technology and business partnerships and setting up of factories. Company has incurred capital and incidental expenses towards these activities and thus have a net loss of Rs. **2,48,51,960/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2012	As on March 31, 2011
Net Sales	NIL	NIL
Other Income	12,31,119	34,74,217
Total Revenue	**12,31,119**	**34,74,217**
Personnel Expenses	89,52,410	21,45,039
Operating and Other Expenses	1,66,05,054	58,09,416
Total Expenses	**2,55,57,464**	**79,54,454**
PBDIT	**(2,43,26,345)**	**(44,80,237)**
Depreciation/Amortization	5,25,615	5,78,731
PBIT	**(2,48,51,960)**	**(50,58,968)**
Current Tax	NIL	NIL
PAT	**(2,48,51,960)**	**(50,58,968)**
Prior Period Adjustment (Note- 1b of Notes to Accounts)	NIL	(2,21,07,692)
Net Profit/(Loss)	**(2,48,51,960)**	**(2,71,66,660)**
Basic and Diluted Earnings Per Share	(2.07)	(2.41)

Dividend

Since the project is under implementation and the Company does not have any distributable profits, no dividend is recommended for the year ended March 31, 2012.

BACKGROUND AND REVIEW OF ACTIVITIES

- **Background**

  The power sector provides one of the most important inputs for Country's development and availability of reliable & inexpensive power is critical for its sustainable economic development. To achieve a GDP growth rate of around 8-9 %, it is imperative that the power sector grows at 1.8 - 2 times the GDP growth rate as espoused by economists, planners and industry experts.

However, during the financial year 2011-12, the number of projects getting finalised in the country have come down. Last fiscal, only 4000 MW of projects were finalised due to issues related to land acquisition, financing, environmental clearance and coal linkages, as compared to around 16,000 MW in 2010-11.

World's current manufacturing capacity for all types of power plants, excluding Chinese suppliers, put together is over 150 GW per annum. In India, GDP (~7%) is growing faster than the power generation (~6%). From adding 25 GW in Five year, few years ago, India need to add even larger capacity in an Year i.e. 25 GW to 30 GW per year to have the estimated ~900 GW capacity by the year 2030 (under a moderate growth scenario). While main plant manufacturing capacity is being enhanced in quantitative and qualitative terms i.e. from some 7 GW to 30 GW, similar effort is essential in Balance of Plant (BoP) equipment space - especially in critical BoP and components' space.

The world market space, emerging and developing economies excluding China are expected to increase their generation capacities by at least three times on an average over next 20-25 years. More than 50% of this would be coal fired power plants and BoPs constitute over 25% of Engineering, Procurement and Construction (EPC) cost of setting up a plant.

There are few vendors in India having well recognized credentials in each of the BoP segments i.e. pumping systems, piping system, efficient water purification and recycling systems, etc. Most of these Vendors are only the system integrators and not manufacturers and source smaller components from certain set of sub-vendors mostly small in size, traditional in technology with limited capacity and capability to expand on technology, engineering and manufacturing. In similar markets elsewhere situation is equally or more challenging. This is the opportunity your Company is targeting.

On account of superior level of skills, knowledge levels and engineering man hour cost arbitrage, Engineering and Manufacturing Companies from India who possess and/or develop capability to continually keep pace with technology and keep evolving the value offerings can explore these markets with immense opportunities. That is the second dimension of opportunity.

To create and establish capability and capacity from scratch to engineer, manufacture and supply these critical BoP equipments takes more than 5-7 years time for many leading suppliers in the world. Your Company's team is committed to achieve this in less than half of the specified period.

- **Factory Project at Solapur**
  During the period, the Company has acquired 1.12 acre of land for widening of existing approach road (1 KM approx.) to the proposed factory site at Musti in Solapur, Maharashtra. The Company is now at final stage of getting the requisite approval for conversion of use of land which was pending due to narrow approach road. After getting

the approval for the conversion of use of land, the Company will apply for the other approvals viz., Environment Clearance, Electricity connection and other utility and infrastructure facilities.

DIRECTORS

During the financial year Mr. Om Parkash Maken was nominated by NTPC Limited and Mr. Umesh Narain Khanna was nominated by Bharat Forge Limited as their respective nominees and were appointed as Whole-time Directors w.e.f. September 19, 2011.

Mr. Om Parkash Maken and Mr. Umesh Narain Khanna have resigned on January 31, 2012. The Directors place on record their sincere appreciation of the very useful contributions made by them during their association with the Company. The vacancies caused by above resignations have not been filled up by the Company.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Amit Babasaheb Kalyani and Mr. Subhash Chandra Pandey, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that:

a. in the preparation of the annual accounts for the Financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. 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 as at March 31, 2012;

c. 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 and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a "going concern basis".

AUDITORS AND AUDITORS' REPORT

M/s. S. N. Dhawan & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s. S. N. Dhawan & Co., Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

SUBSIDIARY COMPANY

The Company did not have any subsidiary Company during the period under review.

FIXED DEPOSITS

The Company has neither accepted or renewed any fixed deposits during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required to be disclosed pursuant to 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, forming part of the Report is also annexed hereto.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with, the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly, the required statement is not appended.

AUDIT COMMITTEE

The Company has constituted Audit Committee of Directors in terms of Section 292A of the Companies Act, 1956. Members of Audit Committee are as follows:

1. Mr. Amit Babasaheb Kalyani.
2. Mr. Narendra Nath Misra.
3. Mr. Sunil Kumar Chaturvedi.

The Committee met at regular intervals during the year.

REMUNERATION COMMITTEE

The Company has constituted Remuneration Committee of Directors in terms of provisions of Schedule XIII of the Companies Act, 1956. Members of the Remuneration Committee are as follows:

1. Mr. Sunil Kumar Chaturvedi.
2. Mr. Narendra Nath Misra.

The Committee met at regular intervals during the year.

APPRECIATION

The Board of Directors takes this opportunity to thank all its valued stakeholders, financial institutions, banks, Government and other authorities in Maharashtra for their continued support to the Company. The Board also takes this opportunity to express its sincere appreciation for the excellent support and dedicated efforts put in by the employees for continued good performance. Further, your Directors wish to thank both its promoters (viz: BFL Group and NTPC Group) for their ongoing valuable support for building and developing the business of the company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: New Delhi
Date: May 9, 2012

BABASAHEB N KALYANI
CHAIRMAN

ANNEXURE-I

Information as per 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 as amended and forming part of the Directors' Report for the year ended March 31, 2012:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2011-2012

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Impact of above measures for reduction of energy consumption and consequent impact on cost of production of goods.

N.A.

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

	(Rupees)
Foreign Exchange earned	NIL
Foreign Exchange used	5,52,554
Net Foreign Exchange earned	(5,52,554)

For and on behalf of the
Board of Directors

Place: New Delhi **BABASAHEB N KALYANI**
Date: May 9, 2012 **CHAIRMAN**

AUDITOR'S REPORT

To
The Members of BF-NTPC Energy Systems Limited

1. We have audited the attached Balance Sheet of **BF-NTPC Energy Systems Limited**, as at March 31, 2012, and the annexed Statement of Profit and Loss and the Cash Flow Statement of the Company 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 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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditors Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and believe were necessary for the purposes of our audit.
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the Company dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
   e) On the basis of written representations received from the directors, as at March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012,

   ii) in the case of Statement of Profit and Loss, of the Loss of the Company for the year ended on that date.

   iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S.N. Dhawan & Co.
Chartered Accountants
Firm Registration No. 000050N

Vijay Dhawan

Partner

Membership No. 12565

Place: New Delhi

Date: 11 MAY 2012

Annexure to the Auditor's Report
(Referred to in paragraph 3 of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. However, no physical verification was conducted during the year.

(c) There are no disposals during the year. Accordingly, clause 4(i) (c) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(ii) The Company does not have any inventory. Accordingly, clauses 4(ii) (a), (b) and (c) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable.

(ii) (a) As informed, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (b), (c) and (d) of Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(e) As informed, the Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of this area.

The Company has not started its operations till the date of the balance sheet. In view of the foregoing, as far as applicable to internal control system with respect to the purchase of inventory and sale of services under clause (iv) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(v) (a) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements which are required to be entered in the registers maintained under Section 301. Accordingly, clauses 4(v) (a) and (b) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder. No order has been passed by the Company Law Board, or National Company Law Tribunal, or Reserve Bank of India, or any Court, or any other Tribunal.

(vii) The Company is in the process of formulating a departmentally organized internal audit system so as to make it commensurate with the size and nature of the Company's business.

(viii) According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any of the activities of the Company.

(ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including Tax deducted a source and withholding tax as applicable with the appropriate authorities.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regulatory or otherwise of the Company in depositing the same.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues which have not been deposited on account of any dispute.

(x) The Company has been registered for a period of less than five years accordingly provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xi) According to the information and explanations given to us the Company, the Company has not borrowed any funds from any financial institution or bank during the year, clauses 4(xi) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company has not taken any term loan during the year.

(xvii) The Company has not started its operations till the date of the balance sheet. Accordingly, clause 4(xvii) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(xviii) The Company has not made any preferential allotment of shares to any parties during the year.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed by us, to the best of our knowledge and belief and according to the information and explanations given to us by the management, no fraud on, or by the Company has been noticed or reported during the year.

For S.N. Dhawan & Co.
Chartered Accountants
Firm Registration No. 000050N

VIJAY DHAWAN
Partner
Membership No. 12565

Place: New Delhi
Date: 11 MAY 2012

BF-NTPC ENERGY SYSTEMS LIMITED
BALANCE SHEET AS AT MARCH 31, 2012

	Notes	As at March 31, 2012 Amount in ₹	As at March 31, 2011 Amount in ₹
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	**120,000,000**	120,000,000
Reserves and surplus	2	**(52,018,620)**	(27,166,660)
		67,981,380	92,833,340
Non-current liabilities			
Long-term provisions	3	**202,766**	-
		202,766	-
Current liabilities			
Other current liabilities	4	**2,710,187**	11,404,533
		2,710,187	11,404,533
Total		**70,894,333**	104,237,873
ASSETS			
Non-current assets			
Fixed assets	5	**61,331,158**	58,976,775
Long-term loans and advances	6	**920,467**	920,467
		62,251,625	59,897,242
Current assets			
Cash and cash equivalents	7	**8,123,074**	43,000,275
Short-term loans and advances	6	**468,070**	347,422
Other assets	8	**51,564**	992,934
		8,642,708	44,340,631
Total		**70,894,333**	104,237,873
Significant accounting policies	14		

The accompanying notes form an integral part of the financial statements

As per our report of even date
For S. N. Dhawan & Co.
Chartered Accountants

VIJAY DHAWAN
Partner
Membership No. 12565

For and on behalf of the board of directors of
BF-NTPC ENERGY SYSTEMS LIMITED

S. K. CHATURVEDI
Director

N. N. MISRA
Director

JAGMOHAN BIJALWAN
Company Secretary

Place: New Delhi
Date: 11 MAY 2012

BF-NTPC ENERGY SYSTEMS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

	Notes	Year Ended March 31, 2012 Amount in ₹	Year Ended March 31, 2011 Amount in ₹
Other income	9	**1,231,119**	3,474,218
Total Revenue (I)		**1,231,119**	3,474,218
Expenses:			
Employee benefits expense	10	**8,952,410**	2,145,039
Finance costs	11	**34,604**	-
Depreciation and amortization expense	5	**525,615**	578,731
Other expenses	12	**16,570,450**	5,809,416
Total (II)		**26,083,079**	8,533,186
Profit / (Loss) before prior period expenses (I) - (II)		**(24,851,960)**	(5,058,968)
Prior period expenses (refer note 22)		**-**	22,107,692
Profit / (Loss) after prior period expenses carried to Note 2		**(24,851,960)**	(27,166,660)
Basic & Diluted [Nominal Value of shares of ₹ 10 (Previous year A 10)](refer note 21)		**(2.07)**	(2.41)
Significant accounting policies	14		

The accompanying notes form an integral part of the financial statements

As per our report of even date
For S. N. Dhawan & Co.
Chartered Accountants

VIJAY DHAWAN
Partner
Membership No. 12565

For and on behalf of the board of directors of
BF-NTPC ENERGY SYSTEMS LIMITED

S. K. CHATURVEDI
Director

N. N. MISRA
Director

JAGMOHAN BIJALWAN
Company Secretary

Place: New Delhi
Date: 11 MAY 2012

BF-NTPC ENERGY SYSTEMS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	Notes	Year Ended March 31, 2012 Amount in ₹	Year Ended March 31, 2011 Amount in ₹
Cash flow from operating activities			
Loss after prior period expenses		**(24,851,960)**	(27,166,660)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation		**525,615**	578,731
Interest income		**(1,231,119)**	(3,474,218)
Miscellaneous expenditure		**-**	46,254
Provision for long term employee benefits		**202,766**	
Prior period expenses			22,107,692
Operating profit before Working Capital Changes and prior period expenses:		**(25,354,698)**	(7,908,201)
Movements in working capital :			
Increase/(decrease) in other current liabilities		**(8,694,346)**	1,856,835
Decrease / (increase) in short-term loans and advances		**(120,648)**	(1,340,355)
Decrease / (increase) in other assets		**941,370**	-
Prior period expenses			(22,107,692)
Net cash flow used in operating activities	**(A)**	**(33,228,322)**	(29,499,413)
Cash flows from investing activities			
Purchase of fixed assets		**(2,879,998)**	(15,156,573)
Interest received		**1,231,119**	3,474,218
Net cash flow used in investing activities	**(B)**	**(1,648,879)**	(11,682,355)
Decrease / (increase) in Long-term loans and advances		**-**	-
Net cash flow used in financing activities	**(C)**	**-**	-
Net increase/(decrease) in cash and cash equivalents (A + B + C)		**(34,877,201)**	(41,181,768)
Cash and cash equivalents at the beginning of the year		**43,000,275**	84,182,043
Cash and cash equivalents at the end of the year		**8,123,074**	43,000,275
Components of cash and cash equivalents			
Cash on hand		**68**	28,005
Imprest Account		**11,407**	-
Balances with banks:		**-**	-
- On current accounts		**1,611,599**	4,972,270
- Deposits		**6,500,000**	38,000,000
Total cash and cash equivalents (note 7)		**8,123,074**	43,000,275
Significant accounting policies	14		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S. N. Dhawan & Co.
Chartered Accountants

VIJAY DHAWAN
Partner
Membership No. 12565

For and on behalf of the board of directors of
BF-NTPC Energy Systems Limited

S. K. CHATURVEDI
Director

N. N. MISRA
Director

JAGMOHAN BIJALWAN
Company Secretary

Place: New Delhi
Date: 11 MAY 2012

	As at March 31, 2012 Amount in ₹	As at March 31, 2011 Amount in ₹
1 SHARE CAPITAL		
Equity Share Capital		
Authorised shares		
25,000,000 [Previous year: 25,000,000 equity shares of ₹ 10 each]	**250,000,000**	250,000,000
Issued, subscribed and fully paid-up shares		
12,000,000 [Previous year: 12,000,000 equity shares of ₹ 10 each]	**120,000,000**	120,000,000
Total issued, subscribed and fully paid-up share capital	**120,000,000**	120,000,000

a. Reconciliation of the shares outstandinq at the beqinninq and at the end of the reportinq period
Equity shares

	March 31, 2012		March 31, 2011	
	No.	Amount in A	No.	Amount in A
At the beginning of the period	**12,000,000**	**120,000,000**	2,100,000	21,000,000
Issued during the period	**-**	**-**	9,900,000	99,000,000
Outstandinq at the end of the period	**12,000,000**	**120,000,000**	12,000,000	120,000,000

b. Terms and riqhts attached to equity shares

(i) The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

(ii) In the event of liquidation of the Company, the holders of equity shares will be entitled to have identical rights and privileges including, without limitation, dividend, voting rights and distribution of assets.

c. Details of shareholders holdinq more than 5% shares in the Company

	March 31, 2012		March 31, 2011	
	No.	% holding	No.	% holding
Fully paid up equity shares held by:				
Bharat Forge Limited, Holding Company	**6,120,000**	**51.00%**	6,120,000	51.00%
NTPC Limited, Venturer Company	**5,880,000**	**49.00%**	5,880,000	49.00%

	As at March 31, 2012 Amount in ₹	As at March 31, 2011 Amount in ₹
2 RESERVES AND SURPLUS		
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	**(27,166,660)**	-
Loss for the year from Statement of Profit & Loss	**(24,851,960)**	(27,166,660)
Net surplus / (deficit)	**(52,018,620)**	(27,166,660)
3 LONG TERM PROVISIONS		
Provision for gratuity (refer note 20)	**70,144**	-
Provision for leave encashment (refer note 20)	**132,622**	-
	202,766	**-**
4 OTHER CURRENT LIABILITIES		
Trade payables		
: due towards micro and small enterprises (refer note 16)	**-**	-
: due towards others	**1,959,597**	11,014,873
Other liabilities		
TDS payable	**393,486**	224,210
Salary Payable	**205,416**	-
Others	**151,688**	165,450
	2,710,187	11,404,533

NOTE - 5

FIXED ASSETS
[see Note 14 (c)]

Amount in ₹

Particulars	Gross Block				Depreciation				Written down value as at	Written down value as at
	Original Cost As at April 1, 2011	Additions for the year	Deductions/ Adjustment for the year	Original cost as at March 31, 2012	As at April 1, 2011	For the year	Deductions for the year	As at March 31, 2012	March 31, 2012	March 31, 2011
Tangible Assets										
Freehold Land	56,492,061	**2,551,533**	-	**59,043,594**	-	**-**	-	**-**	**59,043,594**	56,492,061
EDP Equipment	297,692	**280,035**	-	**577,727**	200,873	**90,880**	-	**291,753**	**285,974**	96,819
Furniture & Fixtures	3,490,671	**-**	-	**3,490,671**	1,191,066	**417,369**	-	**1,608,435**	**1,882,236**	2,299,605
Office Equipment	113,739	**48,430**	-	**162,169**	25,449	**17,366**	-	**42,815**	**119,354**	88,290
Total	**60,394,163**	**2,879,998**	**-**	**63,274,161**	**1,417,388**	**525,615**	**-**	**1,943,003**	**61,331,158**	**58,976,775**
Previous year	3,866,152	56,528,011	-	60,394,163	838,657	578,731	-	1,417,388	58,976,775	3,027,495

	Non-current		Current	
	As at March 31, 2012 Amount in ₹	As at March 31, 2011 Amount in ₹	As at March 31, 2012 Amount in ₹	As at March 31, 2011 Amount in ₹
6 LOANS AND ADVANCES				
Security deposit (unsecured, considered good)	**920,467**	920,467	**-**	-
Advance income-tax (net of provision for taxation)	**-**	**-**	**468,070**	347,422
	920,467	920,467	**468,070**	347,422
7 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	**68**	28,005
Imprest Account	-	-	**11,407**	-
Balances with banks:				
- On current accounts	-	-	**1,611,599**	4,972,270
- Deposits	-	-	**6,500,000**	38,000,000
	-	**-**	**8,123,074**	43,000,275
8 OTHER ASSETS				
Other assets:				
Interest accrued on fixed deposits	-	-	**51,564**	992,934
	-	**-**	**51,564**	992,934

		Year Ended March 31, 2012 Amount in ₹	Year Ended March 31, 2011 Amount in ₹
9	**OTHER INCOME**		
	Interest income on Bank deposits	**1,231,119**	3,474,218
		1,231,119	3,474,218
10	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries, wages and bonus	**8,592,712**	2,144,939
	Long Term Employee Benefits (Refer Note 20)	**202,766**	-
	Staff welfare expenses	**156,932**	100
		8,952,410	2,145,039
11	**FINANCE COSTS**		
	Interest	**18,306**	-
	Bank charges	**16,298**	-
		34,604	**-**
12	**OTHER EXPENSES**		
	Rent (Refer Note 19)	**2,812,838**	3,248,880
	Rates and taxes	**11,140**	4,540
	Repairs to buildings (leasehold)	**496,871**	466,353
	Printing & Stationery	**106,385**	38,541
	Office expenses	**159,685**	338,092
	Travelling and conveyance	**3,789,006**	494,670
	Communication costs	**240,643**	94,375
	Legal and professional fees	**8,490,643**	583,219
	Audit expenses		
	Statutory Audit*	**168,540**	165,450
	Site expenses	**109,649**	265,937
	Miscellaneous expenses	**185,050**	109,359
		16,570,450	5,809,416

* includes service tax

13. Background

BF-NTPC Energy Systems Limited was incorporated under Indian Companies Act, 1956 vide certificate of Incorporation dated June 19, 2008 and obtained its certificate of commencement of business on August 25, 2008. The Company is intended to operate as a joint venture between Bharat Forge Limited and NTPC Limited wherein the companies hold the equity share capital in the ratio of 51:49 respectively with rights and obligation mutually agreed upon.

14. Significant accounting policies

a. Basis of accounting

Financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies Accounting Standard Rules, 2006, and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reported year. Examples of such estimates include future obligations under employee retirement benefit plans and the useful lives of fixed assets and intangible assets. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from such estimates.

c. Fixed assets and depreciation

i. All fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Company does not treat CENVAT as recoverable asset hence, includes it to fixed assets.

ii. Depreciation on all assets is provided on written down value method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.
Assets costing up to A 5,000 individually have been fully depreciated in the year of purchase.

d. Revenue Recognition

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

Interest on fixed deposits is recognized on time proportion basis.

e. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities when the Company has a present obligation as a result of past events, a probable outflow of resources is expected to settle the obligation and the amount can be reliably estimated.

Contingent Liability

A contingent liability is disclosed in case of:

i. a present obligation from the past event when it is not probable that an outflow of resources will be required to settle the obligation;

ii. a possible obligation, unless the probability of outflow is remote;

Contingent Assets

Contingent assets are not recognised in the financial statements.

f. Foreign exchange transactions

i. Transactions in foreign currencies are recorded in reporting currency by applying to the foreign currency the exchange rate between the foreign currency and reporting currency prevailing at the date of foreign currency transaction.

ii. Monetary items denominated in foreign currencies at the yearend are restated at the exchange rate prevailing between the foreign currencies and reporting currency on that date.

iii. Non monetary foreign currency items are carried at cost.

iv. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

g. Retirement benefits

Post-Employment Benefit Plans

Gratuity and compensated absences

Gratuity and leave encashment are defined benefit obligations and are provided for on the basis of estimation made at the end of financial year. The Company has not funded these liabilities.

h. Provision for taxation

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences subject to consideration of prudence and are measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In case of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

i. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognized immediately as income in the profit and loss account.

j. Leases

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

k. Earnings per Share

In determining earnings per share (EPS), the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item. In absence of any dilutive effect of equity shares the basic and diluted EPS are calculated on the same basis. The number of shares used in computing basic and diluted earnings per share is the weighted average number of shares outstanding during the year.

l. Cash Flow Statement/Cash and Cash Equivalents

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

Cash comprises cash on hand and demand deposits with banks.
Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

15. The Company has not commenced its operations as of the balance sheet date. The expenses incurred upto March 31, 2012 are considered as not directly related to the acquisition of an asset and are thus charged to the statement of profit and loss.

16. The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), promulgated by Government of India came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. On the basis of the information sought/received by the Company, no supplier is registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as on March 31, 2012 after the introduction of the said Act. Accordingly, disclosures as laid down in Notification no. 719(E) dated 16 November 2007 issued by the Government of India, Ministry of Corporate Affairs in relation to unpaid amounts to, and interest paid/payable to Micro and Small enterprises have not been given.

17. **Expenditure in foreign currency (on accrual basis):**

Particulars	**Year ended March 31, 2012**	**Year ended March 31, 2011**
	A	A
Legal and Professional Fees	154,210	Nil
Travelling and Conveyance	398,344	267,877
Total	**552,554**	**267,877**

18. **Related Party Disclosure:**

Detail of related parties (as certified by management):

Key Managerial Personnel	**Directors :** Sunil K. Chaturvedi N.N. Misra U.N. Khanna (Till Jan 31, 2012) O.P. Maken (Till Jan 31, 2012)
Holding Company	Bharat Forge Limited
Venturer Company	NTPC Limited

Transactions with Related Parties during the year are as under:

Related Party Disclosure under Accounting Standard 18

Particulars	Holding Company		Key Management Personnel		Venturer Company		Amount in ₹Rs **Total**	
	2011-12	**2010-11**	**2011-12**	**2010-11**	**2011-12**	**2010-11**	**2011-12**	**2010-11**
A.Transactions during the year								
Addition to land (Consultancy Services And Technical Specification)	**-**	**-**	**-**	**-**	**1,309,811**	**1,309,813**	**1,309,811**	**3,195,602**
NTPC Limited	-	-	-	-	1,309,811	1,309,813	1,309,811	1,309,813
Employee benefit expense	**-**	**-**	**3,785,398**	**1,885,789**	**-**	**-**	**3,785,398**	**1,885,789**
U.N. Khanna	-	-	3,785,398	1,885,789	-	-	3,785,398	1,885,789
Reimbursement of expenses		**433,913**	**-**	**-**	**-**			**433,913**
Bharat Forge Limited	-	433,913			-	-	-	433,913
Equity shares capital issued		**50,490,000**	**-**		**-**	**48,510,000**		**99,000,000**
Bharat Forge Limited	-	50,490,000			-	-	-	50,490,000
NTPC Limited						48,510,000		48,510,000
B. Outstanding balances at the year end								
Balance payable	**-**	**2,190,721**	**-**		**1,178,829**	-	**1,178,829**	**2,190,721**
NTPC Limited	-	-	-		1,178,829	-	1,178,829	
Bharat Forge Limited	-	2,190,721		-	-	-	-	2,190,721
Share Capital	**61,200,000**	**61,200,000**	**-**	**-**	**58,800,000**	**58,800,000**	**120,000,000**	**120,000,000**
Bharat Forge Limited	61,200,000	61,200,000	-	-			61,200,000	61,200,000
NTPC Limited					58,800,000	58,800,000	58,800,000	58,800,000

19. Operating lease:

The Company has taken building on lease for corporate office in Noida and site office in Solapur. Rent recognized during the year 2011-2012 amounted to A 2,812,826. The total of future minimum lease payments under such leases for the following periods:

Particulars	Year ended March 31, 2012 A	Year ended March 31, 2011 A
a. Not later than one year	2,115,000	1,277,590
b. Later than one year but not later than five years	2,538,125	165,000
c. Later than five years	Nil	Nil
Total	**4,653,125**	**1,442,590**

20. Retirement and other employee benefits

The Company has made a provision of A 70,144 and A 132,622 towards estimated gratuity and leave encashment respectively for all the employees existing as on March 31, 2012 on the assumption that they shall continue rendering service for 5 years. However, no actuarial valuation has been under taken to estimate the same.

21. Earning per share

	Units	Year ended March 31, 2012	Year ended March 31, 2011
Net profit/(Loss) attributable to shareholders	A	(24,851,960)	(27,166,660)
Weighted average number of equity shares in issue	Nos.	12,000,000	11,294,795
Basic earnings per share of A 10 each	A	(2.07)	(2.41)

22. Prior period expenses

Particulars	Year ended March 31, 2012 A	Year ended March 31, 2011 A
Communication costs	Nil	251,082
Depreciation and amortization expense	Nil	838,657
Legal and professional fees	Nil	2,895,911
Miscellaneous expenses	Nil	9,448,950
Office expenses	Nil	232,613
Printing & Stationery	Nil	27,220
Rates and taxes	Nil	1,705,800
Rent	Nil	5,450,199
Repairs to buildings (leasehold)	Nil	692,020
Travelling and conveyance	Nil	565,240
Total	**Nil**	**22,107,692**

23. The Company's existing Wholetime Directors, resigned from the Company w.e.f January 31, 2012. The Company is in the process of appointing Managing Director or Wholetime Director under section 269 of the Companies Act, 1956.

24. Previous year's comparatives

i. Previous year figures have been regrouped where necessary to make them comparable to the current year's figures.

ii. Previous year figures have been taken from financial statements audited and opined by previous statutory auditors.

For S.N. Dhawan & Co.
Chartered Accountants

For and on behalf of Board of Directors of
BF-NTPC Energy Systems Limited

VIJAY DHAWAN
Partner
Membership No. 12565

S. K. CHATURVEDI
Director

N. N. MISHRA
Director

JAGMOHAN BIJALWAN
Company Secretary

Place: New Delhi
Date: 11 MAY 2012

THIS PAGE INTENTIONALLY LEFT BLANK

BF Infrastructure Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	Pune Cantonment,	RMA & Associates
Mr. A. B. Kalyani	Mundhwa,	Chartered Accountants
Mr. S. K. Chaturvedi	Pune - 411 036.	48, UG-2, Hasanpur, I.P. Extension
		New Delhi 110 092.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2011 up to March 31, 2012.

FINANCIAL HIGHLIGHTS

During the financial year company has incurred a net Profit of Rs.**1,84,334.18/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2012	As on March 31, 2011
REVENUE		
Revenue from operations	NIL	NIL
Other income	19,751,422.84	3,642,785.00
Total Revenue:	**19,751,422.84**	**3,642,785.00**
EXPENSES		
Generation, administration & other expenses	14,386,550.80	387,784.80
Finance costs	1,962,699.72	4,859,748.00
Depreciation and amortization expense	2,633,278.14	555,045.62
Total expenses:	**18,982,528.66**	**5,802,578.42**
Profit before exceptional and extraordinary items & tax	768,894.18	(2,159,793.42)
EXCEPTIONAL ITEMS		
Profit before extraordinary items and tax	768,894.18	(2,159,793.42)
Extraordinary Items:	NIL	NIL
Profit before tax	768,894.18	(2,159,793.42)
TAX EXPENSE		
Current tax	NIL	NIL
Deferred tax	584,560.00	219,699.00
Profit for the period from continuing operation	184,334.18	(2,379,492.42)
Profit/ (Loss) from discontinuing operations	NIL	NIL
Tax expense of discontinuing operations	NIL	NIL
Profit/(Loss) from discontinuing operations (after tax)	NIL	NIL
Profit/(Loss) for the period	**184,334.18**	**(2,379,492.42)**
Basic/ Diluted Earnings / (Loss) per Share	0.18	(2.38)

Dividend

Since the project of the Company is at nascent stage and the company does not have sufficient distributable profits, no dividend is recommended for the year ended March 31, 2012.

SHARE CAPITAL

Authorised share capital

The Authorised Capital of the Company as on date is Rs. 10,00,00,000/- (Rupees Ten Crore) divided into 1,00,00,000/- (One Crore) Equity Shares of Rupees 10/- (Rupees Ten) each.

Paid-up Share Capital:

The paid up share capital of the Company is Rs. 1,00,00,000/- (One Crore) divided into 10,00,000 (Ten Lac) Equity Shares of Rupees 10/-(Rupees Ten) each.

BACKGROUND AND REVIEW OF ACTIVITIES

- **Incorporation and setting up of company**

  BF Infrastructure Limited (BFIL) is 100% subsidiary of the World's largest forging giant – Bharat Forge Limited. BFIL has emerged out of the diversification scheme of Kalyani Group Company - Bharat Forge Limited. BFIL has been formed for the purpose of carrying out the business in India or abroad as Engineering, Procurement and Construction (EPC) contractors, Civil contractors and to carry out the business of manufacturing, assembling, installing, repairing, covering- buying, selling, exchanging, altering, Importing, exporting, hiring, for infrastructure projects in energy, power, oil & gas, transport, air-ways, toll ways, water ways, road, highway, port, culvert, hotels, hospitals, housing projects, railways etc.

- **Status of Indian Power Corporation (Haldia) Limited (IPCHL) Project.**

  Your Company has secured an order of 3 X 150 MW Coal Based Power Plant Project from IPCHL in the Financial Year 2010-11. The scope of work includes BOP and BTG Plant including single cylinder turbine with reheat system. Currently, your company has completed certain engineering and civil works. Status of the same is as follows:

  - Engineering of Civil and Mechanical Works has been completed.
  - Orders for long lead items including BTG, Water Systems and Cooling Towers etc. have already been placed.
  - On Civil side, work for land grading has been completed and the work for pilling is under process.

- **Securing of Oil Block (CB-ONN-2010/11) in Cambay Basin under the under the New Exploration & Licensing Policy- Ninth (NELP-IX) for exploration of Oil and Natural Gas.**

  Your Company (BFIL) with consortium partners Bharat Petro Resources Limited (BPRL), Engineers India Limited (EIL), Gas Authority of India Limited (GAIL) & Monnet Ispat & Energy Limited (MIEL) has jointly participated in the bidding process in NELP-IX in March 2011.

  BFIL's consortium has been awarded a 131 Sq. Km. block (CB-ONN-2010/11) in Cambay Basin. The contract for the above said block was signed on March 28, 2012 at New Delhi with the Government of India and work for exploration and development of this block has already commenced.

  This block (CB-ONN-2010/11) has estimated reserves of 16.53 Million Barells of Crude Oil & Natural Gas reserves of 466.70 Million Standard Cubic meters *(preliminary estimates by Directorate General of Hydrocarbons (DGH))*.

DIRECTORS

Mr. Babasaheb Neelkanth Kalyani, Mr. Amit Babasaheb Kalyani, Mr. Sunil Kumar Chaturvedi were regularized as Directors of the Company on August 2, 2011.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sunil Kumar Chaturvedi, Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that:

a. in the preparation of the annual accounts for the Financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. 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 as at March 31, 2012;

c. 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 and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a "going concern basis".

AUDITORS AND AUDITORS' REPORT

M/s. RMA & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s. RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

SUBSIDIARY COMPANY

The Company did not have any subsidiary Company during the period under review.

FIXED DEPOSITS

The Company has neither accepted or renewed any fixed deposits during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required to be disclosed pursuant to 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, forming part of the Report is also annexed hereto.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with, the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly, the required statement is not appended.

APPRECIATION

The Board of Directors takes this opportunity to thank all its valued customers, financial institutions, banks, Government and other authorities in Maharashtra for their continued support to the Company. The Board also takes this opportunity to express its sincere appreciation for the excellent support and dedicated efforts put in by the employees for continued good performance. Further, your Directors wish to thank the promoter (BFL Group) for its ongoing valuable support for building and developing the business of the company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: New Delhi
Date: May 10, 2012

Babasaheb N Kalyani
Chairman

ANNEXURE-I

Information as per 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 as amended and forming part of the Directors' Report for the year ended March 31, 2012:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2011-2012

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Impact of above measures for reduction of energy consumption and consequent impact on cost of production of goods.

N.A.

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

	(Rupees thousands)
Foreign Exchange earned	NIL
Foreign Exchange used	1,38,988
Net Foreign Exchange earned	(1,38,988)

For and on behalf of the
Board of Directors

Place: New Delhi
Date: May 10, 2012

Babasaheb N Kalyani
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
BF Infrastructure Limited

1. We have audited the attached Balance Sheet of **BF Infrastructure Limited. (The Company)**, as at 31^{st} March, 2012 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

i. 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:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31^{st} March 2012 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2012.

b. In the case of the Statement of Profit & Loss Account, of the profit for the year ended on that date; and

For: **RMA & ASSOICIATES**
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 10.05.2012

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date on the Statements of Account of **BF Infrastructure Limited** as at and for the year ended 31st March 2012:

(i) (a). The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

(b). The Company has conducted physical verification at a reasonable interval of its fixed assets during the period covered under our audit. We are informed that no material discrepancies were noticed on such verification.

(c). During the year, the company has not disposed off substantial part of fixed assets.

(ii) (a). As explained to us, the inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable in relation to the size of the company.

(b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate according to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of the Company, we are of the opinion that the Company has maintained proper records of inventory. Discrepancies noticed on physical verification between physical stock records were not material and have been adequately dealt within the books of accounts.

(iii). (a) According to the information and explanations given to us, the Company has not granted loans, secured or unsecured, during the year to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956. Accordingly clause 4 (iii) (b) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.

(b) The company has not taken loans from the Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

(iv). In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of inventory, fixed assets and for sale of goods. We have not observed any continuing failure to correct major weaknesses in internal control system.

(v). In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements referred to in Section 301 of the Companies Act, 1956

(vi). According to the information and explanations given to us, the Company has not accepted any deposits from the public covered under the provisions of sections 58A and 58AA of the Companies Act, 1956 and rules framed there under apply.

(vii). In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

(viii). According to the information and explanations given to us maintenance of cost records under section 209(1)(d) of the Act, has not been prescribed by the central government for the company.

(ix) (a). According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including Provident fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues have generally been regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of aforesaid dues were outstanding at 31.3.2012 for a period of more than six months from the date they become payable.

(b). According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.

(x). The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year under audit and immediately preceding financial year.

(xi). Based on the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to their bankers. There were no debenture holders at any time during the year and at the year end.

(xii). According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii). The company is not a chit fund, nidhi / mutual benefit fund / society.

(xiv). In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

(xv). As per the information and explanations given to us, the company has given corporate guarantee for loans taken by its other Company from the banks, which is not prejudice to the interest of the Company.

(xvi). According to the information and explanations and certificate in this regard given to us, term loans were applied by the Company for the purpose for which they were obtained.

(xvii) According to the information and explanations given to us and on the basis of overall examination of the balance sheet of the company as at March 31, 2012, we report that no funds raised on short term basis were utilized for long term investment.

(xviii) According to the certificate given to us by the company, we report that the company has not made any preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has not issued debentures during the year,

(xx) According to the information and explanations given to us, during the period covered by our audit report, the company has not raised any money by way of public issue .

(xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of any fraud on or by the Company, noticed or reported during the year, nor we have been informed of such case by the management.

For: **RMA & ASOCIATES**
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 10.05.2012

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

BF Infrastructure Limited

Balance Sheet as at 31st March, 2012

(Amount in RS)

As at March 31,	Note	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	10,000,000.00	10,000,000.00
Reserves and surplus	3	(2,195,158.24)	(2,379,492.42)
Share application money pending allotment		-	-
Non-current liabilities			-
Long-term borrowings			-
Deferred tax liabilities (Net)	4	804,259.00	219,699.00
Other Long term liabilities		-	-
Long-term provisions	5	1,073,000.00	-
			-
Current liabilities			-
Short-term borrowings		-	-
Trade payables	6	341,094,592.60	4,543,431.00
Other current liabilities	7	3,160,989,073.77	1,625,401,142.93
Short-term provisions	8	23,460,730.00	8,374,590.00
			-
Total		**3,535,226,497.13**	**1,646,159,370.51**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	25,825,297.83	3,079,153.38
Intangible assets	9	1,081,968.40	-
Capital work-in-progress	9	-	-
Intangible Assets Under Development	9	250,000.00	-
Non-current investments			
Long-term loans and advances			
Other non-current assets		-	-
Current assets			
Current investments			
Project Work In Progress	10	1,267,623,943.61	47,716,082.74
Trade receivables	11	580,989,854.00	-
Cash and cash equivalents	12	42,540,906.96	277,180,352.03
Short-term loans and advances	13	1,186,987,804.00	997,415,813.00
Other current assets	14	429,926,722.32	320,767,969.36
Total		**3,535,226,497.13**	**1,646,159,370.51**

The accompanying notes 1 to 18 form an integral part of these financial statements.

As per our attached report of even date - -

For RMA & Associates
Chartered Accountants
Firm Registration Number: 00978N

On behalf of the Board of Directors

PANKAJ CHANDER
Partner
Membership No 089065

S. K. CHATURVEDI
Director

A. B. KALYANI
Director

Place: Delhi
Date: 10th May, 2012

BF Infrastructure Limited

Statement of Profit and Loss As on 31st March 2012

(Amount in RS)

For the 31st March	NOTE	2012	2011
Revenue			
Revenue from operations		-	-
Other income	**15**	19,751,422.84	3,642,785.00
Total Revenue		19,751,422.84	3,642,785.00
Expenses:			
Generation, administration & other expenses	**16**	14,386,550.80	387,784.80
Finance costs	**17**	1,962,699.72	4,859,748.00
Depreciation and amortization expense	**9**	2,633,278.14	555,045.62
Total expenses		18,982,528.66	5,802,578.42
Profit before exceptional and extraordinary items & tax		768,894.18	(2,159,793.42)
Exceptional items			-
Profit before extraordinary items and tax		768,894.18	(2,159,793.42)
Extraordinary Items		-	-
Profit before tax		768,894.18	(2,159,793.42)
Tax expense:			
Current tax		-	-
Deferred tax		584,560.00	219,699.00
Profit for the period from continuing operation		184,334.18	(2,379,492.42)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit/(Loss) for the period		**184,334.18**	**(2,379,492.42)**
Contingent Liabilities	**18**		

The accompanying notes 1 to 18 form an integral part of these financial statements.

As per our attached report of even date

For RMA & Associates
Chartered Accountants
Firm Registration Number: 00978N

PANKAJ CHANDER	**S. K. CHATURVEDI**	**A. B. KALYANI**
Partner	**Director**	**Director**
Membership No 089065		

Place: Delhi
Date: 10th May, 2012

BF Infrastructure Limited

Note No. 2 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
SHARE CAPITAL		
Equity Share Capital		
AUTHORISED	100,000,000.00	100,000,000.00
1,00,00,000 shares of par value of Rs.10/- each (Previous year 1,00,00,000 shares of par value of Rs.10/- each)		
ISSUED, SUBSCRIBED AND PAID-UP	10,000,000.00	10,000,000.00
10,00,000 shares of par value of Rs.10/- each fully paid up (Previous year 10,00,000 shares of par value of Rs.10/- each fully paid-up)		

Note No. 3 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
RESERVES AND SURPLUS		
General Reserve		
Surplus /(Loss)		
As per last balance sheet	(2,379,492.42)	
Add(Less):-Profit (Loss) after tax for the year from Profit & Loss Statement	184,334.18	(2,379,492.42)
Tax on Dividend Paid		
Proposed dividend		
Tax on proposed dividend		
Sub-Total	(2,195,158.24)	(2,379,492.42)

Note no. 4 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
DEFERRED TAX LIABILITIES(NET)		
Depriciation As Per IT Act.	5,236,058.01	1,266,045.20
Depriciation As Per Companies Act	2,633,278.14	555,045.62
	2,602,779.86	710,999.58
Deferred Tax Liability @ 30.9%	804,258.98	219,698.87
DEFERRED TAX LIABILITY	**804,259.00**	219,699.00

The net increase during the year in the deferred tax liability is Rs.5,84,560.00 has been debited to Profit & Loss Statement.

BF Infrastructure Limited

Note No. 5 to the Financial Statements

(Amount in Rs.)

As at March 31,	2012	2011
LONG TERM PROVISIONS		
Provision for Employee Benefits		
Gratuity Payable Long Term	317,000.00	-
Leave Encashment Payable Long Term	756,000.00	-
Closing Balance	**1,073,000.00**	**-**

Note No. 6 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
TRADE PAYABLES		
Creditors for Supply	35,354,912.00	-
Creditors for Services	299,153,841.00	2,907,585.00
Creditors for Expenses	6,585,839.60	1,635,846.00
TOTAL	**341,094,592.60**	**4,543,431.00**

Note No. 7 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
OTHER CURRENT LIABILITIES		
INCOME BILLED BUT NOT ACCRUED	871,560,762.05	-
INDIAN POWER CORPORATION (H) LTD.	1,933,195,129.79	1,316,408,163.00
BHARAT FORGE LTD.	308,140,490.93	308,140,490.93
SECURITIES HELD	47,717,691.00	752,489.00
EARNEST MONEY RECEIVED	375,000.00	100,000.00
	3,160,989,073.77	**1,625,401,142.93**

Note No. 8 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
EXPENSES PAYABLE	2,346,589.00	7,685,458.00
OTHER PAYABLES	5,046,500.00	-
DUTIES & TAXES	16,067,641.00	689,132.00
	23,460,730.00	**8,374,590.00**

BF Infrastructure Limited

Note No. 9 to the Financial Statements

(Amount in RS)

	Opening Gross Bloc As At 01.04.2011	Addition	Deduction/ Adjustment	Closing Gross Block As at 31.03.2012	Opening Depreciation As At 01.04.2011	Addition	Deduction/ Adjustment	Closing Depreciation As at 31.03.2012	Net Block As at 31.03.2012	Net Block As at 31.03.2011
TANGIBLE ASSETS		_	_							
Land :	-	-	-	-	-	-	-	-	-	-
Building :										
Freehold										
Main plant										
Others	1,580,758.00	177,270.00	-	1,758,028.00	217,946.72	458,433.73	-	676,380.45	1,081,647.55	1,362,811.28
Temporary erection	-	663,320.00	-	663,320.00	-	159,152.63	-	159,152.63	504,167.37	-
Weigh Bridge	-	2,182,689.00	-	2,182,689.00	-	125,090.98	-	125,090.98	2,057,598.02	-
Furniture and fixtures	361,445.00	5,092,714.00	-	5,454,159.00	46,089.30	554,037.58	-	600,126.88	4,854,032.12	315,355.70
Owned	-	288,954.00	-	288,954.00	-	62,102.71	-	62,102.71	226,851.29	-
Leased	-			-	-	-		-	-	-
Office equipment	655,745.00	2,200,573.00	-	2,856,318.00	26,683.38	305,638.75	-	332,322.13	2,523,995.87	629,061.62
EDP, WP machines and satcom equipment	844,626.00	334,343.00	-	1,178,969.00	72,701.22	369,402.58	-	442,103.80	736,865.20	771,924.78
Construction equipments	-	13,965,579.00	-	13,965,579.00	-	472,393.93	-	472,393.93	13,493,185.07	-
Electrical Installations	-	347,220.00	-	347,220.00	-	264.65	-	264.65	346,955.35	-
						-				
Total	**3,442,574.00**	**25,252,662.00**	**-**	**28,695,236.00**	**363,420.62**	**2,506,517.55**	**-**	**2,869,938.17**	**25,825,297.83**	**3,079,153.38**
INTANGIBLE ASSETS										
Right of Use- Land										
-Others										
Software	191,625.00	1,208,729.00	_	1,400,354.00	191,625.00	126,760.60	_	318,385.60	1,081,968.40	_
Total	**191,625.00**	**1,208,729.00**	_	**1,400,354.00**	**191,625.00**	**126,760.60**	_	**318,385.60**	**1,081,968.40**	_
Grand Total	**3,634,199.00**	**26,461,391.00**	_	**30,095,590.00**	**555,045.62**	**2,633,278.14**	_	**3,188,323.76**	**26,907,266.24**	**3,079,153.38**
Intangible Assets under Development	-	250,000.00	-	250,000.00	-	-	-	-	250,000.00	-

BF Infrastructure Limited

Note No. 10 to the Financial Statements

(Amount in Rs)

As at March 31,	**2012**	2011
OPENING WORK IN PROGRESS	47,716,082.74	_
CIVIL WORK	763,509,180.00	21,640,545.00
CEMENT	64,909,171.00	_
STEEL	260,612,553.00	_
BTG PURCHASE	30,199,938.00	_
PERSONNEL EXPENSES	62,985,975.00	4,657,240.00
OFFICE RENT & MAINTENANCE EXPENSES	1,837,787.00	721,000.00
BG COMMISSION	3,150,368.50	_
TENDER PREPARATION CHARGES	5,000,000.00	15,180,000.00
TRANSPORTATION CHARGES	3,520,095.00	_
OFFICE EXPENSES	4,419,410.01	463,619.00
INSURANCE CHARGES	1,840,174.00	31.00
PROFESSIONAL CHARGES	2,450,742.00	1,869,045.00
SITE SALARY	9,574,207.00	_
LOCAL TRANSPORT	6,953,415.00	744,805.86
OTHER SITE EXPENSES	1,701,040.00	973,029.05
TRAVELLING EXPENSES	3,855,036.36	1,466,767.83
TOTAL	**1,274,235,174.61**	**47,716,082.74**
Less:		
Scrap sales		
SALE - CEMENT EMPTY BAGS	177,950.00	-
SALE - SCRAP IRON AND STEEL	6,423,281.00	-
SCRAP SALES	10,000.00	-
	1,267,623,943.61	**47,716,082.74**

Note No. 11 to the Financial Statements

(Amount in Rs.)

As at March 31,	**2012**	**2011**
TRADE RECEIVABLES		
India Power Corporation Limited	580,989,854.00	-

Note No. 12 to the Financial Statements

(Amount in Rs.)

As at March 31 ,	**2012**	2011
CASH AND BANK BALANCES		
CASH-IN-HAND		
CASH-IN-HAND - NOIDA	33,849.00	32,989.00
FOREIGN CURRENCY IN HAND	2,162.00	-
CASH-IN-HAND - KOLKATA	5,285.00	7,048.00
CASH-IN-HAND - HALDIA	19,483.00	121.00
	60,779.00	40,158.00
CASH-AT-BANK		
AXIS BANK HALDIA	157,347.52	159,789.70
AXIS BANK KOLKATTA	58,013.75	54,904.75
AXIS BANK NOIDA	1,761,471.80	41,925,499.58
FIXED DEPOSIT	40,000,000.00	235,000,000.00
HDFC	488,636.05	-
AXIS BANK CASH CREDIT ACCOUNT	2.84	-
SBI	14,656.00	-
	42,480,127.96	277,140,194.03
TOTAL	**42,540,906.96**	**277,180,352.03**

BF Infrastructure Limited

Note No. 13 to the Financial Statements

(Amount in Rs.)

As at March 31,	2012	2011
SHORT TERM LOANS AND ADVANCES		
DETAILS OF ADVANCES PAID		
Mobilisation 10 % of BTG Supply (BHEL)	911,720,025.00	916,000,000.00
Mobilisation 5 % of BTG Services (BHEL)	70,408,163.00	70,408,163.00
Mobilisation Advance Simplex Infrastructure Limited	17,947,066.00	-
Mobilisation Payment to ABB Limited	85,500,000.00	-
Mobilisation Payment to DCIPS Pvt. Ltd.	21,790,486.00	-
Mobilisation Payment to Paharpur Cooling Towers	10,349,090.00	-
Mobilisation Payment to Paharpur Cooling Towers (S)	17,061,600.00	-
Mobilisation Payment to Ramky Enviro Engineers Ltd.	5,941,165.00	-
Mobilisation Payment to Simplex Infra Limited	49,500.00	-
Mobilization Payment(Ser) to BSBK Engineers Pvt Ltd	3,699,003.00	-
Mobilization Payment to ABB Ltd. Service	4,500,000.00	-
Mobilization Payment to Anupam Industries Limited	3,420,000.00	-
Mobilization Payment to BSBK Engineers Pvt. Ltd.	25,675,000.00	-
Mobilization Payment to DCIPS - AHP -Service	2,229,840.00	-
Mobilization Payment to DCIPS -MRS -Service	417,365.00	-
Mobilization Payment to DCIPS -MRS -SUPPLY	2,839,647.00	-
Mobilization Payment to WPIL -Service	181,500.00	-
Mobilization Payment to WPIL -SUPPLY	3,153,354.00	-
Mobilisation Payment to Ramky Enviro Engineers Ltd.	105,000.00	-
	1,186,987,804.00	986,408,163.00
DCIPS Pvt. Ltd.	-	10,000,000.00
Universal Services	-	7,650.00
Paharpur Cooling Tower	-	1,000,000.00
Total	**1,186,987,804.00**	**997,415,813.00**

BF Infrastructure Limited

Note No. 14 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
OTHER CURRENT ASSETS		
PREPAID EXPENSES	637,646.00	239,743.00
INTEREST ACCRUED	516,960.00	3,258,586.00
DEPUTY COMMISSIONER COMMERCIAL TAX DEPARTMENT NOIDA	25,000.00	25,000.00
A.K MANDAL	45,000.00	45,000.00
PURNIMA MANDAL	45,000.00	45,000.00
J.C. SARKAR	114,000.00	114,000.00
SUBRATA SAHOO	105,000.00	105,000.00
GAS CYLENDER	3,953.00	1,400.00
CENVAT CREDIT	15,905,818.98	3,141,202.10
EDUCATION CESS ON SERVICE TAX	318,105.41	
HIGHER EDUCATION CESS ON SERVICE TAX	159,068.59	
CENVAT CREDIT DEFERRED	182,589.45	-
SERVICE TAX REFUNDABLE	4,789,500.00	-
INCOME TAX REFUNDABLE (A.Y. 2011-12)	1,917,129.00	-
TDS	5,745,149.00	1,917,129.00
ADVANCE SALES TAX	76,000.00	33,000.00
INPUT VAT	-	105,201.00
WB WORK CONTRACT VAT 13.5%%	3,838,001.00	-
WB VAT 4%	365,808.00	
WB WORK CONTRACT VAT 4%	101,851.00	-
DRA & ASSOCIATES	2,332,080.00	-
STAFF IMPREST	8,699.00	-
INDIA POWER CORPORATION LTD.	81,119,440.43	-
TOTAL	**118,351,798.86**	**9,030,261.10**
EXPENDITURE ON PROJECT PENDING ALLOCATION	311,574,923.46	311,737,708.26
	429,926,722.32	**320,767,969.36**

BF Infrastructure Limited

Note No. 15 to the Financial Statements

(Amount in Rs.)

For the March 31,	#	2012	2011
Interest Income on FDR		12,385,888.05	3,634,785.00
Rental Income		7,290,000.00	-
Tender Sale		75,000.00	8,000.00
Short and Excess		534.79	-
		19,751,422.84	**3,642,785.00**

Note No. 16 to the Financial Statements

(Amount in Rs)

For the March 31,	2012	2011
GENERATION, ADMINISTRATION & OTHER EXPENSES		
Office Rent & Maintenance Expenses	12,017,866.00	-
Tender Expenses	1,315,900.00	-
Business Development	590,000.00	
Audit fee	300,000.00	225,000.00
Preliminary Exps. Written off	162,784.80	162,784.80
Total	**14,386,550.80**	**387,784.80**

Note No. 17 to the Financial Statements

(Amount in Rs)

For the March 31	2012	2011
FINANCE COSTS		1.00
INTEREST EXPENSES	1,282,480.58	_
BANK CHARGES	9,778.14	4,697,418.00
BG COMMISSION	670,441.00	162,330.00
TOTAL	**1,962,699.72**	**4,859,748.00**

Note No 18 to the financial Statements

Contingent Liability:

The company has obtained Bank Guarantee from Axis Bank amounting to Rs. 85.93 crores in favour of as under:

	Rs. In crores
Indian Power Corporation Ltd.	59.68
Today Energy(M.P.) Pvt. Ltd.	15.00
Rashtriya Ispat Nigam Ltd.	9.00
Ambuja Cements Ltd.	2.00
MCC PTA India Pvt. Ltd.	0.25
Total	**85.93**

BF INFRASTRUCTURE LTD

DEPRECIATION CHART AS PER INCOME TAX RULES FOR A.Y 2012-13

PARTICULARS	RATE OF DEP.	W.D.V AS ON 01.04.2011	ADDITION 1ST HALF	ADDITION 2ND HALF	SALES/ADJUSTMENT	TOTAL AS ON 31.03.2012	DEP. FOR THE YEAR	W.D.V AS ON 31.03.2012
COMPUTERS	60%	567,464.80	163,269.00	171,074.00	-	901,807.80	489,762.48	412,045.32
INTANGIBLE ASSETS	25%	91,613.00	256,375.00	952,354.00	-	1,300,342.00	206,041.25	1,094,300.75
FURNITURE	10%	326,955.50	4,771,418.00	321,296.00	-	5,419,669.50	525,902.15	4,893,767.35
OFFICE EQUIPMENT	15%	591,741.50	2,046,947.00	153,626.00	-	2,792,314.50	407,325.23	2,384,989.28
PORTABLE OFFICE CABIN	100%	790,379.00	-	177,270.00	-	967,649.00	879,014.00	88,635.00
CONSTRUCTION POWER EQUIPMENT	15%	-	10,002,849.00	3,962,730.00	-	13,965,579.00	1,797,632.10	12,167,946.90
WEIGH BRIDGE	15%	-	1,492,647.00	690,042.00	-	2,182,689.00	275,650.20	1,907,038.80
CAR	15%	-	288,954.00	-	-	288,954.00	43,343.10	245,610.90
TEMPORARY STRUCTURE	100%	-	524,733.00	138,587.00	-	663,320.00	594,026.50	69,293.50
ELECTRICAL EQUIPMENTS	10%	-	-	347,220.00	-	347,220.00	17,361.00	329,859.00
TOTAL		**2,368,153.80**	**19,547,192.00**	**6,914,199.00**	**-**	**28,829,544.80**	**5,236,058.01**	**23,593,486.80**

Notes to financial statements for the year ended 31st March 2012

Notes- 1 :-

Corporate Information:

BF Infrastructure Limited (BFIL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. BFIL has emerged out of the diversification scheme of Kalyani Group Company - Bharat Forge Limited, BF Infrastructure Limited, has been formed for the purpose of carrying out the business in India or abroad as Engineering, Procurement and Construction (EPC) contractors, Civil contractors and to carry out the business of manufacturing, assembling, installing, repairing, covering- buying, selling, exchanging, altering, Importing, exporting, hiring, for infrastructure projects in energy, power, oil & gas, transport, air-ways, toll ways, water ways, road, highway, port, culvert, hotels, hospitals, housing projects, railways etc.

Significant Accounting Policies

a) Basis of Preparation:

i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis.

ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

iii. The preparation of financial statements are in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

Preparation and disclosure of financial statements :

During the year ended 31st March 2012, the Revised Schedule VI, notified under The Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosure made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Amortization of Preliminary Expenditure:

As per the requirements of revised schedule VI, notified under The Companies Act 1956, amount remaining for written off stands in last year balance sheet has been shown in other current assets and will be amortized in five years .

Expenditure on Project Pending For Allocation: - The Company has project expenses which were incurred by the holding company Bharat Forge Ltd in last year. In last year Balance Sheet the Company has decided to write of these expenses over a period of five years from the year in which the revenue is generated.

As per the requirements of Revised Schedule Vi, amount remaining for written off stands in last year balance sheet has been shown in other current assets and will be amortized in five years when revenue will be generated.

b) Fixed Assets and depreciation

i. Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets.

ii. Depreciation is being provided on "Written down value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

iii. Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/installation.

iv. Fixed Assets are shown net of accumulated depreciation.

c) Taxation:

Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallize. In case of Deferred Tax Assets and Liabilities with reasonable certainty and in case of Deferred Tax Assets represented by unabsorbed depreciation and carried forward business losses, with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realised.

d) Provisions:

Necessary Provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

e) Revenue Recognition

Construction revenue and costs are recognized by reference to the stage of completion of the construction activity at the Balance Sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

f) Employee Benefits:

i Benefits in the form of Provident Fund is accounted on accrual basis and charged to Profit & Loss account of the year.

ii Gratuity provision is being made in the books of accounts.

iii Leave encashment provision is being made in the books of accounts.

BF Infrastructure Ventures Limited

Directors	***Registered Office***	***Auditors***
Mr. S. K. Chaturvedi	Pune Cantonment,	RMA & Associates
Mr. S. G. Joglekar	Mundhwa,	Chartered Accountants
Mr. Kishore Saletore	Pune - 411 036.	48, UG-2, Hasanpur, I.P. Extension
		New Delhi 110 092.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2011 up to March 31, 2012.

FINANCIAL HIGHLIGHTS

During the financial year company has incurred a net loss of **Rs. 2,82,277/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	**As on March 31, 2012**	**As on March 31, 2011**
Net Sales	NIL	NIL
Other Income	NIL	NIL
Total Revenue	**NIL**	**NIL**
Operating and Other Expenses	2,82,277	38,255
Total Expenses	**2,82,277**	**38,255**
PBDIT	**(2,82,277)**	**(38,255)**
Depreciation/Amortization	NIL	NIL
PBIT	**(2,82,277)**	**(38,255)**
Current Tax	NIL	NIL
PAT	**(2,82,277)**	**(38,255)**
Basic/ Diluted Earnings / (Loss) per Share	(5.65)	(0.77)

Dividend

Since the Company is under implementation phase and the Company does not have any distributable profits, no dividend is recommended for the year ended March 31, 2012.

SHARE CAPITAL

Authorised share capital

The Authorised Capital of the Company as on date is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

Paid-up Share Capital:

The paid up share capital of the Company is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

BACKGROUND AND REVIEW OF ACTIVITIES

- **Incorporation and setting up of company**

  BF Infrastructure Ventures Limited (BFIVL) is 100% subsidiary of the World’s largest forging giant – Bharat Forge Limited. BFIVL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited. BF Infrastructure Ventures Limited has been formed to identify, carry on and acquire/invest in business/companies and enterprises including forming joint venture, consortiums and act as a Holding Company in businesses in India or abroad of Engineering, Procurement and Construction (EPC) contractors, Civil contractors and to carry out the business of manufacturing, assembling, installing, repairing, covering- buying, selling, exchanging, altering, Importing, exporting, hiring, for infrastructure projects in energy, power, oil & gas, transport, air-ways, toll-ways, water-ways, road, highway, port, culvert, hotels, hospitals, housing projects, railways etc.

DIRECTORS

Mr. Praveen Kumar Maheshwari, who was appointed as first Director of the Company and regularized as Director on August 2, 2011 resigned on December 15, 2011. The Directors place on record their sincere appreciation of the useful contribution made by him during his association with the Company.

Mr. Kishore Saletore, who was appointed as Additional Director on December 15, 2011, holds office till the ensuing Annual General Meeting. A notice proposing appointment of Mr. Saletore as Director having been received, the matter is included in the Notice for the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sanjeev Gajanan Joglekar, Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors’ Responsibility Statement, your Directors confirm that:

a. in the preparation of the annual accounts for the Financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. 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 as at March 31, 2012;

c. 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 and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a “going concern basis”.

AUDITORS AND AUDITORS’ REPORT

M/s. RMA & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s. RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

SUBSIDIARY COMPANY:

The Company has one Subsidiary Company namely “David Brown Bharat Forge Gear Systems India Limited”, a Joint Venture Company with David Brown Systems India (Holdings) Limited.

The Subsidiary at its nascent stage and has not yet started its commercial activities. The Financials of the Subsidiary along with the Consolidated Financial Statements are attached with and forming part of the Financial Statements of the Company

FIXED DEPOSITS

The Company has neither accepted or renewed any fixed deposits during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required to be disclosed pursuant to 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, forming part of the Report is also annexed hereto.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with, the Companies

(Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly, the required statement is not appended.

APPRECIATION

The Board of Directors takes this opportunity to thank all its valued customers, financial institutions, banks, Government and other authorities in Maharashtra for their continued support to the Company. The Board also takes this opportunity to express its sincere appreciation for the excellent support and dedicated efforts put in by the employees for continued good performance. Further, your Directors wish to thank the promoter (BFL Group) for its ongoing valuable support for building and developing the business of the company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: Delhi	**Sunil Kumar Chaturvedi**
Date: April 12, 2012	**Chairman**

ANNEXURE-I

Information as per 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 as amended and forming part of the Directors' Report for the year ended March 31, 2012:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2011-2012

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Impact of above measures for reduction of energy consumption and consequent impact on cost of production of goods.

N.A.

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

	(Rupees thousands)
Foreign Exchange earned	NIL
Foreign Exchange used	NIL
Net Foreign Exchange earned	NIL

For and on behalf of the Board of Directors

Place: Delhi
Date: April 12, 2012

Sunil Kumar Chaturvedi
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
BF Infrastructure Ventures Limited

1. We have audited the attached Balance Sheet of **BF Infrastructure Ventures Limited. (The Company)**, as at 31st March, 2012 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, report not attached as the said order is not applicable to the company.

4. Further to our comments in the Annexure referred to above, we report that:

i. 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:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31st March 2012 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2012.

b. In the case of the Statement of Profit & Loss Account, of the Loss for the year ended on that date; and

For: **RMA & ASSOICIATES**
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 12.04.2012

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

BF Infrastructure Ventures Ltd
Balance Sheet as at 31st March, 2012

(Amount in Rs)

As at March 31,	Note	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	500,000.00	500,000.00
Reserves and surplus	3	(320,532.00)	(38,255.00)
Share application money pending allotment		-	-
Non-current liabilities			-
Long-term borrowings		-	-
Deferred tax liabilities (Net)		-	-
Other Long term liabilities		-	-
Long-term provisions		-	-
Current liabilities			-
Short-term borrowings (from Bharat Forge)	4	250,000.00	-
Trade payables		-	-
Other current liabilities	5	283,000,117.99	95,136,574.00
Short-term provisions	6	266,002.00	27,575.00
			-
Total		**283,695,587.99**	**95,625,894.00**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets		-	-
Intangible assets		-	-
Capital work-in-progress		-	-
Intangible Assets Under Development		-	-
Non-current investments			
Long-term loans and advances			
Other non-current assets		-	-
			-
Current assets			
Current investments	7	250,000.00	
Inventories		-	-
Trade receivables		-	-
Cash and cash equivalents	8	139,313.00	500,000.00
Short-term loans and advances	9	5,993,642.41	-
Other current assets	10	277,312,632.58	95,125,894.00
Total		**283,695,587.99**	**95,625,894.00**

The accompanying notes 1 to 11 form an integral part of these financial statements.

For RMA & Associates - -
Chartered Accountants
Firm Registration Number: 00978N **On behalf of the Board of Directors**

PANKAJ CHANDER	**S. K. CHATURVEDI**	**S. G. JOGLEKAR**
Partner	**Director**	**Director**
Membership No 089065		

Place: Delhi
Date: 12th April ,2012

BF Infrastructure Ventures Ltd

PROFIT AND LOSS STATEMENT

(Amount in Rs)

For the year ended March 31,	NOTE	2012	2011
Revenue			
Revenue from operations		-	-
Other income		-	-
Total Revenue		-	-
Expenses:			
Employee benefits expense		-	-
Finance costs		-	-
Depreciation and amortization expense		-	-
Administration & other expenses	**11**	282,277.00	38,255.00
Prior period items		-	-
Total expenses		**282,277.00**	**38,255.00**
			-
Profit/(Loss) before exceptional and extraordinary items & tax		(282,277.00)	(38,255.00)
Exceptional items			-
Profit/(Loss) before extraordinary items and tax		(282,277.00)	(38,255.00)
Extraordinary Items		-	-
Profit/(Loss) before tax		(282,277.00)	(38,255.00)
Tax expense:			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) for the period from continuing operation		(282,277.00)	(38,255.00)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
Profit/(Loss) for the period		(282,277.00)	(38,255.00)

The accompanying notes 1 to 11 form an integral part of these financial statements.

For RMA & Associates
Chartered Accountants
Firm Registration Number: 00978N

On behalf of the Board of Directors

PANKAJ CHANDER

Partner
Membership No 089065

S. K. CHATURVEDI
Director

S. G. JOGLEKAR
Director

Place: Delhi
Date: 12th April ,2012

BF Infrastructure Ventures Ltd

Note No. 2 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
SHARE CAPITAL		
Equity Share Capital		
AUTHORISED	500,000.00	500,000.00
50000 shares of par value of Rs. 10/- each (Previous year 50000shares of par value of Rs. 10/- each)		
ISSUED, SUBSCRIBED AND PAID-UP	500,000.00	500,000.00
50000 shares of par value of Rs. 10/- each fully paid up (Previous year 50000 shares of par value of Rs. 10/- each fully paid-up)		

Note No. 3 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
RESERVES AND SURPLUS		
General Reserve		
Surplus /(Loss)		
As per last balance sheet	(38,255.00)	
Add(Less):-Profit (Loss) after tax for the year from Profit & Loss Statement	(282,277.00)	(38,255.00)
Total	(320,532.00)	(38,255.00)

Note No. 4 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
Short-term borrowings		
From Bharat Forge	250,000.00	-
Total	250,000.00	-

Note No. 5 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
OTHER CURRENT LIABILITIES		
Creditors for expenses	-	5,515.00
Amount Payable to Bharat Forge limited	283,000,117.99	95,131,059.00
TOTAL	283,000,117.99	95,136,574.00

Note-: Expenses during the 01-04-2011 to 31-03-2012 Incured by Bharat Forge on behalf of BF Infrastructure Ventures Limited. So Amount payable to Bharat Forge , a holding company,Rs. 283,000,117.99

BF Infrastructure Ventures Ltd

Note No. 6 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	**2011**
SHORT TERM PROVISIONS		
Provision for Employee Benefits	237,912.00	-
Audit fee Payable	28,090.00	27,575.00
Total	**266,002.00**	**27,575.00**

Note No. 7 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	**2011**
CURRENT INVESTMENTS		
Investment in Joint Venture Company		
David Brown Bharat Forge Gear Systems India Limited	250,000.00	-
	250,000.00	**-**

Note-: BF Infrastructure Ventures Ltd made Joint Venture With David Brown (50 % Share Capital)

Note No. 8 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	**2011**
CASH & CASH EQUIVALENTS		
Balances with Banks	138593.00	500000.00
Cash on hand	720.00	-
Total	**139313.00**	**500000.00**

Note No. 9 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	**2011**
SHORT TERM LOANS AND ADVANCES		
Loans to related parties include:		
i)Subsidiary companies		
ii)Joint Venture companies	5,993,642.41	-
iii)Key management personel		
	5,993,642.41	**-**

Note-: Expenses during the year 01-04-2011 To 31-03-2012 For David Brown Bharat Forge Gear Systems India Limited is Incured By Bharat Forge and Charge to BF Infrastructure Ventures Limited. BF Infrastructure Ventures Limited Transfer to David Brown Bharat Forge Gear Systems India Limited. So Rs 5,993,642.41 Receivable from David Brown Bharat Forge Gear Systems India Limited.

BF Infrastructure Ventures Ltd

Note No. 10 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	2011
OTHER CURRENT ASSETS		
Unamortised miscellaneous expenditure	95,120,729.00	95,125,894.00
Add: Amount spent during the year	182,191,903.58	-
Total	**277,312,632.58**	**95,125,894.00**

Note No. 11 to the Financial Statements

		(Amount in Rs)
As at March 31,	**2012**	2011
ADMINISTRATION & OTHER EXPENSES		
Inland Travel	190.00	-
Audit fee	28,090.00	27,575.00
Professional charges and consultancy fees	245,527.00	5,515.00
Printing and stationery	1,650.00	-
Preliminary Exps. Written Off	5,165.00	5,165.00
Bank charges	1,655.00	-
Total	**282,277.00**	**38,255.00**

Notes to financial statements for the year ended 31st March 2012

Notes- 1 :-

Corporate Information:

BF Infrastructure Ventures Limited (BFIVL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. BFIVL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited, BF Infrastructure Ventures Limited, has been formed to identify, carry on and acquire/invest in business/companies and enterprises including forming joint venture, consortiums and act as a Holding Company in businesses in India or abroad of Engineering, Procurement and Construction (EPC) contractors, Civil contractors and to carry out the business of manufacturing, assembling, installing, repairing, covering- buying, selling, exchanging, altering, Importing, exporting, hiring, for infrastructure projects in energy, power, oil & gas, transport, air-ways, toll-ways, water –ways, road, highway, port, culvert, hotels, hospitals, housing projects, railways etc.

Significant Accounting Policies

a) Basis of Preparation:

i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis.

ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

iii. The preparation of financial statements are in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

Preparation and disclosure of financial statements :

During the year ended 31st March 2012, the Revised Schedule VI, notified under The Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosure made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Amortization of Preliminary Expenditure:

As per the requirements of revised schedule VI, notified under The Companies Act 1956, amount remaining for written off stands in last year balance sheet has been shown in other current assets and will be amortized in five years .

Expenditure on Project Pending For Allocation: - The Company has project expenses which were incurred by the holding company Bharat Forge Ltd in last year. In last year Balance Sheet the Company has decided to write of these expenses over a period of five years from the year in which the revenue is generated.
As per the requirements of Revised Schedule Vi, amount remaining for written off stands in last year balance sheet has been shown in other current assets and will be amortized in five years when revenue will be generated.

b) Fixed Assets and depreciation

i. Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets.

ii. Depreciation is being provided on “Written down value” basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

iii. Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/installation.

iv. Fixed Assets are shown net of accumulated depreciation.

c) Taxation:

Provision for Taxation has not been made as there are no profits for the year. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallize. In case of Deferred Tax Assets and Liabilities with reasonable certainty and in case of Deferred Tax Assets represented by unabsorbed depreciation and carried forward business losses, with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realised.

d) Provisions:

Necessary Provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

BF Power Equipment Limited

Directors	***Registered Office***	***Auditors***
Mr. S. K. Chaturvedi	Pune Cantonment,	RMA & Associates
Mr. S. G. Joglekar	Mundhwa,	Chartered Accountants
Mr. Kishore Saletore	Pune - 411 036.	48, UG-2, Hasanpur, I.P. Extension
		New Delhi 110 092.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period for from April 1, 2011 up to March 31, 2012

FINANCIAL HIGHLIGHTS

During the financial year company has incurred a net loss of **Rs. 2,26,786/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2012	As on March 31, 2011
Net Sales	NIL	NIL
Other Income	NIL	NIL
Total Revenue	**NIL**	**NIL**
Operating and Other Expenses	2,26,786	38,223
Total Expenses	**2,26,786**	**38,223**
PBDIT	**(2,26,786)**	**(38,223)**
Depreciation/Amortization	NIL	NIL
PBIT	**(2,26,786)**	**(38,223)**
Current Tax	NIL	NIL
PAT	**(2,26,786)**	**(38,223)**
Basic/ Diluted Earnings / (Loss) per Share	(4.54)	(0.76)

Dividend

Since the Company is under implementation phase and does not have any distributable profits, no dividend is recommended for the year ended March 31, 2012.

SHARE CAPITAL

Authorised share capital

The Authorised Capital of the Company as on date is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

Paid-up Share Capital:

The paid up share capital of the Company is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

BACKGROUND AND REVIEW OF ACTIVITIES

- **Background**

  The power sector is one of the fastest growing sectors in the World. World's current manufacturing capacity for all types of power plants, excluding Chinese suppliers, put together is over 150 GW per annum. For sustainable growth of an emerging economy, growth of power generation should be about twice that of GDP. In India, GDP (~9%) is growing faster than the power generation (~6%). From adding 25 GW in Five year, few years ago, India need to add even larger capacity in an Year i.e. 25 GW to 30 GW per year to have the estimated ~900 GW capacity by 2030 (under a moderate growth scenario). While main plant manufacturing capacity is being enhanced in quantitative and qualitative terms i.e. from some 7 GW to 30 GW, similar effort is essential in Balance of Plant (BoP) equipment space - especially in critical BoP and components' space.

  The world market space, emerging and developing economies excluding China are expected to increase their generation capacities by at least three times on an average over next 20-25 years. More than 50% of this would be coal fired power plants and BoPs constitute over 25% of Engineering, Procurement and Construction (EPC) cost of setting up a plant.

  There are few vendors in India having well recognized credentials in each of the BoP segments i.e. pumping systems, piping system, efficient water purification and recycling systems, etc. Most of these Vendors are only the system integrators and not manufacturers and source smaller components from certain set of sub-vendors mostly small in size, traditional in technology with limited capacity and capability to expand on technology, engineering and manufacturing. In similar markets elsewhere situation is equally or more challenging. This is the opportunity your Company is targeting.

  On account of superior level of skills, knowledge levels and engineering man hour cost arbitrage, Engineering and Manufacturing Companies from India who possess and/or develop capability to continually keep pace with technology and keep evolving the value offerings can explore these markets with immense opportunities. That is the second dimension of opportunity.

  To create and establish capability and capacity from scratch to engineer, manufacture and supply these critical BoP equipments takes more than 5-7 years time for many leading suppliers in the world. Your Company's team is committed to achieve this in less than half of the specified period.

- **Incorporation and setting up of Company**

  BF Power Equipment Limited (BFPEL) is 100% subsidiary of the world's largest forging giant – Bharat Forge Limited. BFPEL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited. BF Power Equipment Limited was formed to identify, carry on and acquire/invest in business/companies and enterprises including forming joint venture, consortiums and act as a Holding Company in businesses in India or abroad of in various kinds of components and equipment relating to generation of electricity including castings and forgings, fittings and high pressure pipes, valves, pumps, balance of plants, ancillary parts and components, associated infrastructure, transmission and distribution systems Castings, Pumps, valves and Piping Solutions. Consequently, your company was incorporated as a public limited company on December 20, 2010 and its registered office is at Pune.

DIRECTORS

Mr. Praveen Kumar Maheshwari, who was appointed as first Director of the Company and regularized as Director on August 2, 2011 resigned on December 15, 2011. The Directors place on record their sincere appreciation of the useful contribution made by him during his association with the Company.

Mr. Kishore Saletore, who was appointed as Additional Director on December 15, 2011, holds office till the ensuing Annual General Meeting. A notice proposing appointment of Mr. Saletore as Director having been received, the matter is included in the Notice for the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sanjeev Gajanan Joglekar, Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that:

a. in the preparation of the annual accounts for the Financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. 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 as at March 31, 2012;

c. 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 and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a "going concern basis".

AUDITORS AND AUDITORS' REPORT

M/s. RMA & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s. RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

SUBSIDIARY COMPANY

The Company did not have any subsidiary Company during the period under review.

FIXED DEPOSITS

The Company has neither accepted or renewed any fixed deposits during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required to be disclosed pursuant to 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, forming part of the Report is also annexed hereto.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with, the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly, the required statement is not appended.

APPRECIATION

The Board of Directors takes this opportunity to thank all its valued customers, financial institutions, banks, Government and other authorities in Maharashtra for their continued support to the Company. The Board also takes this opportunity to express its sincere appreciation for the excellent support and dedicated efforts put in by the employees for continued good performance. Further, your Directors wish to thank the promoter (BFL Group) for its ongoing valuable support for building and developing the business of the company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: Delhi **Sunil Kumar Chaturvedi**
Date: April 12, 2012 **Chairman**

ANNEXURE-I

Information as per 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 as amended and forming part of the Directors' Report for the year ended March 31, 2012:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2011-2012

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Impact of above measures for reduction of energy consumption and consequent impact on cost of production of goods.

N.A.

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

	(Rupees thousands)
Foreign Exchange earned	NIL
Foreign Exchange used	NIL
Net Foreign Exchange earned	NIL

For and on behalf of the
Board of Directors

Place: Delhi
Date: April 12, 2012

Sunil Kumar Chaturvedi
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
BF Power Equipment Limited

1. We have audited the attached Balance Sheet of **BF Power Equipments Limited. (The Company)**, as at 31st March, 2012 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, report not attached as the said order is not applicable to the company.

4. Further to our comments in the Annexure referred to above, we report that:

i. 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:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31st March 2012 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2012.

b. In the case of the Statement of Profit & Loss Account, of the Loss for the year ended on that date; and

For: **RMA & ASSOICIATES**
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 12.04.2012

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

BF Power Equipment Limited

Balance Sheet as at 31st March, 2012

(Amount in RS)

As at March 31,	Note	2012	2011
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share capital	2	500,000.00	500,000.00
Reserves and surplus	3	(265,009.00)	(38,223.00)
Share application money pending allotment		-	-
Non-current liabilities			-
Long-term borrowings		-	-
Deferred tax liabilities (Net)		-	-
Other Long term liabilities		-	-
Long-term provisions		-	-
			-
Current liabilities			-
Short-term borrowings		-	-
Trade payables		-	-
Other current liabilities		-	-
Short-term provisions	4	28,090.00	58,757.00
			-
Total		**263,081.00**	**520,534.00**
<u>ASSETS</u>			
Non-current assets			
Fixed assets			
Tangible assets		-	-
Intangible assets		-	-
Capital work-in-progress		-	-
Intangible Assets Under Development		-	-
Non-current investments			
Long-term loans and advances			
Other non-current assets		-	-
Current assets			
Current investments			
Inventories		-	-
Trade receivables		-	
Cash and cash equivalents	5	247,680.00	500,000.00
Short-term loans and advances			-
Other current assets	6	15,401.00	20,534.00
Total		**263,081.00**	**520,534.00**

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our attached report of even date
For RMA & Associates
Chartered Accountants
Firm Registration Number: 00978N

On behalf of the Board of Directors

PANKAJ CHANDER
Partner
Membership No 089065

S. K. CHATURVEDI
Director

S. G. JOGLEKAR
Director

Place: Delhi
Date: 12th April ,2012

BF Power Equipment Limited

Statement of Profit and Loss As on 31st March 2012

(Amount in RS)

For the 31st March	NOTE	2012	2011
Revenue			
Revenue from operations		-	-
Other income		-	-
Total Revenue		-	-
Expenses:			
Employee benefits expense		-	-
Finance costs		-	-
Depreciation and amortization expense		-	-
Generation, administration & other expenses	7	226,786.00	38,223.00
Prior period items (Net)		-	-
Total expenses		226,786.00	38,223.00
Profit before exceptional and extraordinary items & tax		(226,786.00)	(38,223.00)
Exceptional items		-	-
Profit before extraordinary items and tax		(226,786.00)	(38,223.00)
Extraordinary Items		-	-
Profit before tax		(226,786.00)	(38,223.00)
Tax expense:			
Current tax		-	-
Deferred tax		-	-
Profit for the period from continuing operation		(226,786.00)	(38,223.00)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit/(Loss) for the period		**(226,786.00)**	**(38,223.00)**

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our attached report of even date

For RMA & Associates
Chartered Accountants
Firm Registration Number: 00978N

On behalf of the Board of Directors

PANKAJ CHANDER

Partner
Membership No 089065

S. K. CHATURVEDI
Director

S. G. JOGLEKAR
Director

Place: Delhi
Date: 12th April ,2012

BF Power Equipment Limited

Note No. 2 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
SHARE CAPITAL		
Equity Share Capital		
AUTHORISED	500,000.00	500,000.00
50000 shares of par value of Rs.10/- each (Previous year 50000shares of par value of Rs.10/- each)		
ISSUED, SUBSCRIBED AND PAID-UP	500,000.00	500,000.00
50000 shares of par value of Rs.10/- each fully paid up (Previous year 50000 shares of par value of Rs.10/- each fully paid-up)		

Note No. 3 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
RESERVES AND SURPLUS		
Surplus /(Loss)		
As per last balance sheet	(38,223.00)	
Add(Less):-Profit (Loss) after tax for the year from Profit & Loss Statement	(226,786.00)	(38,223.00)
Sub-Total	(265,009.00)	(38,223.00)

Note No. 4 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
SHORT TERM PROVISIONS		
Audit Fees Payable	28,090.00	27,575.00
Others	-	31,182.00
Total	28,090.00	58,757.00

Note No. 5 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
CASH & CASH EQUIVALENTS		
Balances with Banks	247,065.00	500,000.00
Cash on hand	615.00	-
Total	247,680.00	500,000.00

Note No. 6 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
OTHER CURRENT ASSETS		
Miscelleneous Expenditure to the extent not written off	**15,401.00**	20,534.00
Total	**15,401.00**	20,534.00

Note No. 7 to the Financial Statements

(Amount in Rs)

As at March 31,	2012	2011
GENERATION, ADMINISTRATION & OTHER EXPENSES		
Inland Travel	**295.00**	**-**
Audit fee	**28,090.00**	**27,575.00**
Professional charges and consultancy fees	**170,965.00**	**-**
Legal expenses	**19,412.00**	**5,515.00**
Printing and stationery	**1,650.00**	**-**
Preliminary Exps. Written off	5,133.00	**5,133.00**
Bank charges	**1,241.00**	**-**
Total	**226,786.00**	**38,223.00**

Notes to financial statements for the year ended 31st March 2012

Notes- 1 :-

Corporate Information:

BF Power Equipment Limited (BFPEL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. BFPEL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited, BF Power Equipment Limited, to identify, carry on and acquire/invest in business/companies and enterprises including forming joint venture, consortiums and act as a Holding Company in businesses in India or abroad of in various kinds of components and equipment relating to generation of electricity including castings and forgings, fittings and high pressure pipes, valves, pumps, balance of plants, ancillary parts and components, associated infrastructure, transmission and distribution systems Castings, Pumps, valves and Piping Solutions. Consequently, the company was incorporated as a public limited company on December 20, 2010 and its registered office is at Pune.

Significant Accounting Policies

a) Basis of Preparation:

i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis.

ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

iii. The preparation of financial statements are in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

Preparation and disclosure of financial statements :

During the year ended 31st March 2012, the Revised Schedule VI, notified under The Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosure made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Amortization of Preliminary Expenditure:

As per the requirements of revised schedule VI, notified under The Companies Act 1956, amount remaining for written off stands in last year balance sheet has been shown in other current assets and will be amortized in five years.

b) Fixed Assets and depreciation

i. Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets.

ii. Depreciation is being provided on "Written down value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

iii. Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/installation.

iv. Fixed Assets are shown net of accumulated depreciation.

c) Taxation:

Provision for Taxation has not been made as there are no profits for the year. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallize. In case of Deferred Tax Assets and Liabilities with reasonable certainty and in case of Deferred Tax Assets represented by unabsorbed depreciation and carried forward business losses, with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realised.

d) Provisions:

Necessary Provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

Kalyani ALSTOM Power Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani Mr. A. B. Kalyani Mr. V. K. Jain Mr. Andreas Lusch (resined on April 2, 2012) Mr. Philippe Cochet (w.e.f. April 2, 2012) Mr. Patrick Ladermann (w.e.f. April 2, 2012)	14th Floor, Antariksha Bhavan, 22, Kasturba Gandhi Marg, New Delhi - 110 001.	S R Batliboi & Associates Golf View Corporate Tower B Sector-42, Sector Road Gurgaon - 122 002, Haryana

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of the Company and Audited Statement of Accounts for the Financial Year ended on March 31, 2012.

Financial Highlights

During the financial year your Company has initiated various activities related to establishment and setting up of factory site, technology transfer, procurement of machinery and other related activities. Company has incurred Capital and other incidental expenses towards these activities and has incurred a net loss of Rs. 3,89,12,761. The financial results are summarized below:

(Amount in Rupees)

Particulars	**Financial Year ended on March 31, 2012**	**Period from January 08, 2010 to March 31, 2011**
Net Sales	NIL	NIL
Other Income	NIL	5,78,630
Total Revenue	NIL	**5,78,630**
(Increase)/ decrease in inventories of work-in-progress	(20,59,447)	NIL
Personnel Expenses	1,64,15,642	34,89,680
Operating and Other Expenses	2,12,56,694	2,63,58,068
Financial Expenses	24,036	2,25,614
Total Expenses	**3,56,36,925**	**3,00,73,362**
PBDIT	(3,56,36,925)	(2,94,94,732)
Depreciation/Amortization	32,75,836	77,805
PBIT	(3,89,12,761)	(2,95,72,537)
Current Tax	NIL	NIL
PAT	**(3,89,12,761)**	**(2,95,72,537)**
Basic Earnings / (Loss) per Share	(1.35)	(2.13)
Diluted Earnings / (Loss) per Share	(1.30)	(2.13)

Dividend

Since the factory project is under implementation and the Company does not have any distributable profits, no dividend is recommended for the year ended March 31, 2012.

Background and review of activities

In line with the vision of Bharat Forge Limited (BFL) and ALSTOM Power Holdings SA (APHSA), your Company was incorporated as a joint-venture, to design and manufacture Heat Exchangers and other fabricated items, for Turbine Generator (TG) Island with sub-critical and super-critical steam parameters.

During the year, your Company has focused on several key aspects such as setting up the Factory, transfer of technology, procurement of capital equipment and ramping up. The Company also focused on manpower induction, training and skill development to ensure that the factory is ready to commence production to achieve the time lines for executing the 2x660 MW order received from NTPC Ltd. for its Solapur project and the expected order for 3x660 MW from NTPC for Nabinagar project.

The orders for major machines and equipment have been placed and these are expected to be commissioned gradually from October 2012 to December 2012, except Multi spindle drilling Machine and Horizontal Milling & Drilling Machines. These two facilities are expected to be commissioned in April 2013.

The factory is expected to commence production from November 2012 and would be able to meet the delivery schedule of the orders received recently from NTPC for 2x660 MW Solapur project.

Directors

Mr. Andreas Lusch, nominated by ALSTOM Power Holdings SA and Mr. Vijay Kumar Jain, nominated by Bharat Forge Ltd., were appointed as Directors w.e.f. September 27, 2011, and December 21, 2011, respectively in place of Mr. Guy Chardon, nominated by ALSTOM Power Holdings SA, and Mr. Abhijit Bhattacharya nominated by Bharat Forge Ltd., who have resigned from the Directorship of the Company.

Mr. Philippe Cochet and Mr. Patrick Ledermann nominated by ALSTOM Power Holdings SA were appointed as Additional Directors on the Board w.e.f April 2, 2012 in place of Mr. Philippe Joubert and Mr. Andreas Lusch who have resigned from the Board w.e.f. February 1, 2012 and April 2, 2012 respectively.

Mr. Philippe Cochet is currently the Chairman of the Company and Mr. Vijay Kumar Jain is the Managing Director of the Company.

Mr. Philippe Cochet, Mr. Patrick Ledermann and Mr. Vijay Kumar Jain shall hold office upto the date of ensuing Annual General Meeting and are proposed to be regularized as Directors of the Company. The Company has received notice in writing from members of the Company under Section 257 of the Companies Act 1956 proposing the candidature of Mr. Philippe Cochet, Mr. Patrick Ledermann and Mr. Vijay Kumar Jain for the office of Director.

Pursuant to Section 256 of the Companies Act, 1956, Mr. Amit Babasaheb Kalyani retires by rotation and being eligible offers himself for reappointment as Director of the Company at the ensuing Annual General Meeting.

<u>Directors' Responsibility Statement</u>

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that:

a. in the preparation of the annual accounts for the Financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. 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 as at March 31, 2012;

c. 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 and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a "going concern basis".

<u>Auditors and Auditors' Report</u>

M/s. S. R. Batkubiu & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from M/s. S. R. Batliboi & Co., Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

Share Capital

Authorised share capital

On February 9, 2012, the Authorised Share Capital of the Company was increased from Rs 50,00,00,000/- (Rupees Fifty Crore) divided into 5,00,00,000 (Five Crore) equity shares of Rs.10/-(Rupees Ten) each to Rs. 1,25,00,00,000/- (Rupees One Hundred Twenty Five Crore) divided into 12,50,00,000 (Twelve Crore Fifty Lac) equity shares of Rs.10/-(Rupees Ten) each.

Allotment of shares:

The Company has allotted 1,29,62,500 (One Crore Twenty Nine Lac Sixty Two Thousand and Five Hundred) Equity Shares on November 16, 2011 and further 1,29,62,500 (One Crore Twenty Nine Lac Sixty Two Thousand and Five Hundred) Equity Shares on April 17, 2012 by way of Rights Issue to its existing shareholders in their shareholding ratio as existing at that point of time.

Appointment of key personnel

On December 20, 2011, your Company appointed Mr. Vijay Kumar Jain as the Chief Executive Officer (CEO) of the Company who will be considered as the Managing Director (MD) of the Company pursuant to the provisions of the Companies Act, 1956.

Mr. Manu Kumar Garg, an Associate Member of the Institute of Company Secretaries of India, has been appointed as Company Secretary of the Company on December 21, 2011.

Fixed Deposit

The Company has neither accepted or renewed any fixed deposits during the year.

Financial Arrangement with the Axis Bank and ICICI Bank

During the year, your Company had entered into the financial arrangements with Axis Bank and ICICI Bank to avail the financial credit facilities in the form of Rupee Term Loan (Fund Based) of Rs. 225 Crore (Rs Two Hundred Twenty Five Crore) and Working Capital Facility (Non Fund Based) of Rs. 160 Crore (Rs. One Hundred Sixty Crore) for the funding of the Factory Project at Adani Port and Special Economic Zone (APSEZ).

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

The particulars as required to be disclosed pursuant to 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, forming part of the Report is also annexed hereto.

Subsidiary Company

The Company did not have any subsidiary Company during the period under review.

Particulars of employees

During the year under review there was no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with, the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly, the required statement is not appended.

Audit Committee

Due to change of the Members on the Board, the Company has re-constituted the Audit Committee of Directors in terms of Section 292A of the Companies Act, 1956. Members of the Audit Committee are as follows:

1. Mr. Babasaheb Neelkanth Kalyani.
2. Mr. Patrick Ledermann.
3. Mr. Vijay Kumar Jain.

The Committee met at regular intervals during the year.

Remuneration Committee

In terms of Schedule XIII of the Companies Act, 1956 the Company has constituted a Remuneration Committee. Members of the Committee are as follows:

1. Mr. Babasaheb Neelkanth Kalyani.
2. Mr. Patrick Ledermann.

The Committee met at regular intervals during the year.

The Committee in its meeting held on February 3, 2012 approved remuneration payable to Mr. Vijay Kumar Jain as Chief Executive Officer cum Managing Director of the Company.

Share Allotment Committee

The Company has constituted a Share Allotment Committee of Directors in terms of the Companies Act, 1956. Members of the Committee are as follows:

1. Mr. Babasaheb Neelkanth Kalyani.
2. Mr. Patrick Ledermann.
3. Mr. Vijay Kumar Jain.

The Committee met at regular intervals during the year.

Acknowledgment

Your Directors wish to place on record their appreciation of the co-operation received from all stakeholders including the Members, Bankers, Adani SEZ authorities and Government agencies and look forward to establishing a strong manufacturing base for the design, manufacture and supply of critical components/ equipments for power sector in India.

The Board also takes this opportunity to express its sincere appreciation for the excellent support and dedicated efforts put in by the employees for continued good performance. Further, your Directors wish to thank both the promoters (viz: BFL Group and ALSTOM Power Holdings SA) for their ongoing valuable support for building and developing the business of the company.

FOR ON BEHALF OF THE
BOARD OF DIRECTORS

Philippe COCHET
CHAIRMAN

Place: New Delhi

Date: May 10, 2012

ANNEXURE-I

Information as per 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 as amended and forming part of the Directors' Report for the year ended March 31, 2012:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2011-2012

The project is under implementation; however, the employees were adequately trained to conserve energy.

b. Impact of above measures for reduction of energy consumption and consequent impact on cost of production of goods.

N.A.

(B) Technology Absorption, Adaptation and Innovation

(1) Efforts made towards technology absorption, adaptation and innovation

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(2) Benefits derived as a result of above efforts

The project was under implementation; the benefits shall be ascertained only after the commercial operation of the project.

(C) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

	(Rupees thousands)
Foreign Exchange earned	NIL
Foreign Exchange used	98, 08,372
Net Foreign Exchange earned	(98, 08,372)

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 10, 2012

Philippe COCHET
CHAIRMAN

Auditors' Report

To
The Members of Kalyani ALSTOM Power Limited

1. We have audited the attached Balance Sheet of Kalyani ALSTOM Power Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. 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;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;

b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and

c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Raman Sobti
Partner
Membership No.: 89218

Place : New Delhi
Date : May 10, 2012

Annexure referred to in paragraph 3 of our report of even date
Re: Kalyani ALSTOM Power Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no disposal of substantial part of fixed assets during the year.

(ii) The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Due to the nature of its business, there are no transactions with respect to purchase of inventories and sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(v) (a) According to the information and explanations provided by the management, there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 and and accordingly clause 4 (v) (b) of the Order are not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth tax, service tax, custom duty, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth tax, service tax, custom duty, sales-tax, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the Company.

(c)According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute. . The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the company.

(x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year..

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank. The Company did not have any dues outstanding to a financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) According to the information and explanation given to us by the management, the company has not raised any money by public issues.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Raman Sobti
Partner
Membership No.: 89218

Place : New Delhi
Date : May 10, 2012

Kalyani ALSTOM Power Limited

Balance sheet as at March 31, 2012

	Notes	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Equity and liabilities			
Shareholders' funds			
Share capital	3	370,375,000	240,750,000
Share application money pending allotment		129,625,000	-
Reserves and surplus	4	(68,485,298)	(29,572,537)
		431,514,702	**211,177,463**
Non-current liabilities			
Long-term borrowings	5	490,000,000	-
Long-term provisions	6	442,000	74,000
		490,442,000	**74,000**
Current liabilities			
Short-term borrowings	7	-	40,000,000
Other current liabilities	8	85,171,791	21,009,255
Trade Payables	8	4,951,262	2,876,270
Short term provisions	6	804,000	112,000
		90,927,053	**63,997,525**
TOTAL		**1,012,883,755**	**275,248,988**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	101,574,455.00	101,540,258
Intangible assets	10	2,570,830.00	-
Capital work-in-progress	11	555,150,607.35	163,834,803
Long Term Loans and Advances	12	240,331,110	1,625,525
Other Non-current Assets	13	8,142,857	4,500,000
		907,769,859	**271,500,586**
Current assets			
Inventories	14	2,059,447	-
Cash and bank balances	15	102,904,479	3,739,202
Short-term loans and advances	12	149,970	9,200
		105,113,896	**3,748,402**
TOTAL		**1,012,883,755**	**275,248,988**

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

Raman Sobti
Partner
Membership no.: 89218

Place: New Delhi
Date: 10/05/2012

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

Vijay Kumar Jain
Director

Philippe Cochet
Director

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: New Delhi
Date: 10/05/2012

Kalyani ALSTOM Power Limited

Statement of profit and loss for the year ended March 31, 2012

	Notes	For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31. 2011 Rs.
Income			
Other income	16	**0**	**578,630**
Total revenue (I)		**0**	**578,630**
Expenses			
(Increase)/ decrease in inventories of work-in-progress	17	(2,059,447)	-
Employee benefits expense	18	16,415,642	3,489,680
Other expenses	19	21,256,694	26,358,068
Total (II)		**35,612,889**	**29,847,748**
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)		**(35,612,889)**	**(29,269,118)**
Depreciation and amortization expense	20	3,275,836	77,805
Finance costs	21	24,036	225,614
Profit/(loss) before tax		**(38,912,761)**	**(29,572,537)**
Tax expenses			
Current tax	30	-	-
Deferred tax	30	-	-
Total tax expense		**-**	**-**
Profit/(loss) for the year		**(38,912,761)**	**(29,572,537)**
Earnings per equity share [nominal value of share Rs.10 (31 March 2011: Rs.10]	22		
Basic		(1.35)	(2.13)
Diluted		(1.30)	(2.13)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

per Raman Sobti
Partner
Membership no.:

Place: New Delhi
Date: 10/05/2012

Vijay Kumar Jain
Director

Philippe Cochet
Director

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: New Delhi
Date: 10/05/2012

Kalyani ALSTOM Power Limited

Cash flow statement for the year ended 31 March 2012

		For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31, 2011 Rs.
Cash flow from operating activities			
Loss before tax from operations		(38,912,761)	(29,572,537)
Loss before tax		(38,912,761)	(29,572,537)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation/ amortization on continuing operation		3,275,836	77,805
Interest expense		-	216,000
Interest income		-	(578,630)
Operating loss before working capital changes		(35,636,925)	(29,857,362)
Movements in working capital :			
Increase in long-term provisions		368,000	74,000
Increase in short-term provisions		692,000	112,000
Increase/ (decrease) in other current liabilities		(551,638)	14,812,483
(Increase) in inventories		(2,059,447)	-
Decrease / (increase) in short-term loans and advances		1,404,404	(1,554,374)
(Increase) in other non-current assets		(3,642,857)	(4,500,000)
Cash used in operations		(39,426,464)	(20,913,253)
Direct taxes paid (net of refunds)		80,351	(80,351)
Net cash flow used in operating activities (A)		(39,346,113)	(20,993,604)
Cash flows from investing activities			
Purchase of fixed assets, including CWIP and capital advances		(570,738,610)	(256,595,824)
Interest received		-	578,630
Net cash flow (used in) investing activities (B)		(570,738,610)	(256,017,194)
Cash flows from financing activities			
Proceeds from issuance of equity share capital		129,625,000	240,750,000
Proceeds from equity share application money		129,625,000	
Proceeds from long-term borrowings		490,000,000	
Proceeds from short-term borrowings		275,000,000	40,000,000
Repayment of short-term borrowings		(315,000,000)	
Net cash flow from financing activities (C)		709,250,000	280,750,000
Net increase in cash and cash equivalents (A + B + C)		99,165,277	3,739,202
Cash and cash equivalents at the beginning of the year		3,739,202	-
Cash and cash equivalents at the end of the year		102,904,479	3,739,202
Components of cash and cash equivalents			
Cash on hand		2,009	18,370
With banks- on current account		102,902,470	3,720,832
Total cash and cash equivalents (note 15)		102,904,479	3,739,202
Summary of significant accounting policies	2.1		

As per our report of even date

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

Raman Sobti
Partner
Membership no.: 89218

Place: New Delhi
Date: 10/05/2012

Vijay Kumar Jain
Director

Philippe Cochet
Director

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: New Delhi
Date: 10/05/2012

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

1 Corporate Information

Kalyani ALSTOM Power Limited (the 'Company') is a Joint venture between Bharat Forge Limited and ALSTOM Power Holding SA wherein the companies hold the Equity Share Capital in the ratio of 51:49 respectively. The Company was incorporated on January 8, 2010 and obtained its certificate of commencement of business on January 27, 2010.

The Company’s main business primarily include concept design, engineering, manufacturing, supply (including trading), erection & commissioning and post sales warranty obligations and service of ancillaries like heat exchanger and other auxiliaries, ancillary to the turbine generator (TG) island in the super critical (800/600 MW) and sub critical (600/500/300 MW) range. The Company is in process of setting up a plant in Mundra SEZ in Gujarat.

2 Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of significant accounting policies

a. Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous period figures in accordance with the requirements applicable in the current year.

b. Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c. Tangible and Intangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and impairment loss, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The expenditure directly related to construction activity is classified as ‘Capital Work in Progress’ and will be apportioned to Fixed Assets on completion of the project. Necessary details required under the Companies Act, 1956 have been disclosed in note 11 of financial statements in respect of said expenditure. Indirect expenditure incurred during construction period which is not related to construction activity nor incidental thereto has been charged to Profit and Loss account.

d. Depreciation/amortization on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The company has used the following rates to provide depreciation on its fixed assets.

Assets	Rate of Depreciation (%)	Rates of Depreciation as per Schedule XIV
Office equipments	33.33%	4.75%
Computers	33.33%	16.21%
Temporary Structures	100%	100%

Assets costing less than Rs. 5,000 individually are fully depreciated in the year of acquisition.
Leasehold land is amortized over its primary period of lease of 30 years, which corresponds with its useful life.

e. Depreciation/amortization on intangible fixed assets

Computer software is amortized using straight line method overlower of licence period or a period of 1-3 years, being the estimated useful life.

f. Leases

Where the company is lessee

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

g. Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

h. Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

i. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

j. Foreign currency translation
Foreign currency transactions and balances

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

(ii) Conversion
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences
Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

k. Retirement and other employee benefits

(i) Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The company has no obligation, other than the contribution payable to the provident fund.

ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of financial year.

iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

l. Income taxes
Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

m. Segment reporting

Identification of segments

The Company's activities during the year involved setting up of plant for manufacture of power plant equipments (Refer note 1). Considering the nature of the Company's business and operations, there are no separate reportable segments (business and/or geographical) in accordance with requirements of Accounting Standard 17 'Segment Reporting' notified by the Companies (Accounting Standards) Rules, 2006 and hence, there is no additional disclosures provided other than those already provided in financial statements.

n. Earnings per Share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

o. Provisions

A provision is recognized when the company has a present obligation as a result of past event. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

p. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The company does not recognize a contingent liability but discloses its existence in the financial statements.

q. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

r. Deferred Revenue Expenditure

Costs incurred in raising funds are amortised equally over the period for which the funds are acquired or a period of five years whichever is lower, amortization to commence from the date of first drawdown.

s. Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss). In its measurement, the company does not include depreciation and amortization expense, finance costs and tax expense.

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

3. Share capital

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Authorised shares		
125,000,000 (Previous Period : 50,000,000) equity shares of Rs. 10/- each	1,250,000,000	500,000,000
Issued, subscribed and fully paid-up shares		
37,037,500 (Previous Period : 24,075,000) equity shares of Rs. 10/- each	370,375,000	240,750,000

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	March 31, 2012		March 31, 2011	
	No.	Rs.	No.	Rs.
At the beginning of the year/period	24,075,000	240,750,000	-	-
Issued during the year/period	12,962,500	129,625,000	24,075,000	240,750,000
Outstanding at the end of the year/period	37,037,500	370,375,000	24,075,000	240,750,000

(b) Terms/ rights attached to equity shares

1. The company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.

2. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Out of the equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Name of shareholder Nos.	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Bharat Forge Limited		
18,889,125 (previous period : 12,278,250) equity shares of Rs. 10 each fully paid	188,891,250	122,782,500

(d) Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	No .	% holding	No.	% holding
Equity shares of Rs. 10 each fully paid				
Bharat Forge Limited	18,889,125	51%	12,278,250	51%
ALSTOM Power Holdings, SA	18,148,375	49%	11,796,750	49%

As per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. Reserves and surplus

	As at March 31, 2012	As at March 31, 2011
	Rs.	Rs.
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(29,572,537)	-
Loss for the year/period	(38,912,761)	(29,572,537)
Net surplus/ (deficit) in the statement of profit and loss	**(68,485,298)**	**(29,572,537)**
Total reserves and surplus/ (deficit)	**(68,485,298)**	**(29,572,537)**

5. Long-term borrowings

	Non-current portion		Current maturities	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
	Rs.	Rs.	Rs.	Rs.
Term loans				
Indian rupee loan from banks (secured)	109,597,720	-	-	-
Indian rupee loan from banks (unsecured)	380,402,280			
	490,000,000	**-**	**-**	**-**

Term loans from banks were taken during the current financial year 2011–12 and carries interest @ base rate + 2.20 % . These loans are repayable in 32 quarterly installments of Rs. 70.32 million each after a moratorium period of 18 months from March 31, 2013. The loans are secured by hypothecation of movable fixed assets and current assets.

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

6. Provisions

	Long-term		Short-term	
	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Provision for employee benefits				
Provision for gratuity	442,000	74,000	-	-
Provision for leave benefits	-	-	804,000	112,000
	442,000	**74,000**	**804,000**	**112,000**

7. Short-term borrowings

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Secured		
Short-term loan from a bank	-	40,000,000
	-	**40,000,000**

Short term loan from a bank was taken during 2010–11 and carried interest @ base rate + 2.20 % p.a. The loan was repayable in 6 months and was secured by hypothecation of movable fixed assets and current assets.

8. Other current liabilities

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Trade payables (refer note 28 for details of dues to micro and small enterprises)	4,951,262	2,876,270
	4,951,262	**2,876,270**
Other liabilities		
Underwriting/processing fees payable	-	4,500,000
Support & Technical Services fees payable	-	5,157,370
Technology Fee Payable	-	5,730,411
Interest accrued and due on borrowings	4,144,658	216,000
Payable for civil work	63,276,520	-
Retention money payable to contractor	14,363,117	3,126,631
Others		
TDS payable	2,970,962	2,191,575
Provident fund payable	416,534	87,268
	85,171,791	**21,009,255**
Total	**90,123,053**	**23,885,525**

Notes to financial statements for the year ended March 31, 2012

9. Tangible assets **(INR)**

	Leasehold Land	Computers	Office Equipments	Temporary Structure	Total
Gross Block					
At 8 January 2010	-	-	-	-	-
Additions	103,177,105	267,888	56,250	385,437	**103,886,680**
At 31 March 2011	**103,177,105**	**267,888**	**56,250**	**385,437**	**103,886,680**
Additions	-	3,832,633	1,397,559	-	5,230,192
Other Adjustments	-	(22,605)	22,605	-	-
At 31 March 2012	**103,177,105**	**4,077,916**	**1,476,414**	**385,437**	**109,116,872**
Depreciation					
At 8 January 2010	-	-	-	-	-
Charge for the year/period	**2,285,824**	**32,183**	**7,295**	**21,120**	**2,346,422**
At 31 March 2011	**2,285,824**	**32,183**	**7,295**	**21,120**	**2,346,422**
Charge for the year/period	3,439,237	978,523	413,918	364,317	**5,195,995**
Other Adjustments	-	(1,993)	1,993	-	-
At 31 March 2012	**5,725,061**	**1,008,713**	**423,206**	**385,437**	**7,542,417**
Net Block					
At 31 March 2011	**100,891,281**	**235,705**	**48,955**	**364,317**	**101,540,258**
At 31 March 2012	**97,452,044**	**3,069,203**	**1,053,208**	**(0)**	**101,574,455**

Notes

1. Depreciation / amortisation amounting to Rs. 3,439,237 (Previous Period Rs. 2,285,824) has been transferred to 'Capital Work in Progress (including Capital Advances)'

2. Leasehold Land includes payment of Rs. 101,285,626 (Previous Period Rs. 101,285,626)being a one time non-refundable as Infrastructure Development Charges paid to Mundra Port and Special Economic Zone Limited for lease of Land for a period of 30 years extendable on same terms and condition for a further period of 20 years.

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

10. Intangible assets

	Computer software	Total
		(INR)
Gross Block		
At 8 January 2010	-	-
Additions	17,207	17,207
At 31 March 2011	**17,207**	**17,207**
Additions	4,089,908	4,089,908
At 31 March 2012	**4,107,115**	**4,107,115**
Depreciation		
At 8 January 2010	-	**-**
Charge for the year/period	17,207	**17,207**
At 31 March 2011	**17,207**	**17,207**
Charge for the year/period	1,519,078	1,519,078
At 31 March 2012	**1,536,285**	**1,536,285**
Net Block		**-**
At 31 March 2011	**-**	**-**
At 31 March 2012	**2,570,830**	**2,570,830**

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

Schedule 11 : Capital Work in Progress

Particulars	Opening Balance April 1, 2011	Incurred for the year	Balance as on March 31, 2012
Capital Expenditure			
Building under Construction (Land Development Charges and related expenses)	125,145,695	298,334,243	423,479,938
Revenue expenditure capitalised as part of plant cost(refer note below)	38,689,108	92,981,561	131,670,669
Net Capital Work in Progress	**163,834,803**	**391,315,804**	**555,150,607**

Note : During the year, the company has capitalised the following expenses and set off interest income on surplus funds, of revenue nature to the cost of fixed asset/ capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the company.

	For the year ended March 31, 2012	For the period from January 8, 2010 to March 31, 2011
	Rs.	Rs.
Technology License Instalments (and related expenses)*	10,478,706	19,278,754
Interest on term loans from banks	36,270,725	-
Loan arrangement costs amortised	2,440,143	-
Employee benefits expense		
Salaries, wages & bonus	15,495,336	2,365,473
Contribution to provident and other funds	833,796	123,520
Staff welfare expenses	296,256	75,030
Depreciation and amortisation expense	3,439,237	2,285,824
Other Expenses		
Rent	10,377,476	5,861,062
Legal & Professional Expenses	11,257,324	7,912,885
Travelling & conveyance	2,780,794	664,724
Rates & taxes	498,402	-
Miscellaneous Expenses	261,040	121,836
Interest income on bank deposits	(1,447,674)	-
	92,981,561	**38,689,108**

*Technology License represents an amount of EUR 300,000 paid / provided against lumpsum consideration of EUR 1,000,000 payable to ALSTOM Technology Ltd, Switzerland as a part of License and Technology Transfer Agreement for transfer of exclusive, non transferrable right of Technology for manufacture of Condenser, High Pressure Heaters, Low pressure Heaters and Deaerator and Storage Tanks for Power projects in the territorial limits of India for a period of 25 years.

Notes to financial statements for the year ended March 31, 2012

12. Loans and advances

	Non-current		Current	
	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Capital advances				
Secured, considered good	238,784,458	-	-	-
	238,784,458	**-**	**-**	**-**
Security deposit				
Secured, considered good	95,266	46,000	-	-
	95,266	**46,000**	**-**	**-**
Other loans and advances				
Advance income-tax	225,119	80,351	-	-
Advances to employees	-	-	46,000	9,200
Balances with statutory / government authorities	1,226,267	1,499,174	-	-
Others	-	-	103,970	-
	1,451,386	1,579,525	149,970	9,200
Total	**240,331,110**	**1,625,525**	**149,970**	**9,200**

13. Other assets

	Non-current		Current	
	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Unsecured, considered good unless stated otherwise				
Unamortized loan arrangement costs	8,142,857	4,500,000	**-**	**-**
	8,142,857	**4,500,000**	**-**	**-**

14. Inventories

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Work-in-progress	2,059,447	-
	2,059,447	**-**

During the year the Company has considered certain expenses of revenue nature, related to projects, as work-in-progess relating to the contracts.

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

15. Cash and bank balances

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	102,902,470	3,720,832
Cash on hand	-	-	2,009	18,370
	-	**-**	**102,904,479**	**3,739,202**

16. Other income

	For the year ended March 31, 2012	For the period from January 8, 2010 to March 31, 2011
	Rs.	Rs.
Interest income on bank deposits	-	578,630
	-	**578,630**

17. Increase/(decrease) in inventories

	As at March 31, 2012	As at March 31, 2011	Increase
	Rs.	Rs.	Rs.
Inventories at the end of the year			
Work-in-progress	2,059,447	-	2,059,447
	2,059,447	**-**	**2,059,447**

18. Employee benefits expense

	For the year ended March 31, 2012	For the period from January 8, 2010 to March 31, 2011
	Rs.	Rs.
Salaries, wages and bonus	14,170,641	3,149,077
Contribution to provident and other funds	950,436	193973
Gratuity expense (Refer note 23)	368,000	74,000
Staff welfare expenses	926,565	72630
	16,415,642	**3,489,680**

19. Other expenses

	For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31, 2011 Rs.
Power and fuel - Electricity charges	6,401	22,429
Rent	3,838,741	2,449,387
Rates and taxes	3,820,795	3,859,198
Repairs and maintenance	380,372	-
Advertising and sales promotion	-	235,836
Travelling and conveyance	3,020,719	1,144,610
Communication costs	545,325	73,956
Printing and stationery	263,363	-
Legal and professional fees	7,338,851	16,768,662
Payment to auditor (Refer details below)	579,150	346,365
Exchange differences (net)	144,560	-
Site Inauguration Expenses	-	1,244,711
Commitment Charges	1,000,000	-
Miscellaneous expenses	318,417	212,914
	21,256,694	**26,358,068**

Payment to auditor

	For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31, 2011 Rs.
As auditor:		
Audit fee	550,000	300,000
Other services (certification fees)	-	46,365
Reimbursement of expenses	29,150	-
	579,150	346,365

20. Depreciation and amortization expense

	For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31, 2011 Rs.
Depreciation of tangible assets	1,756,758	60,598
Amortization of intangible assets	1,519,078	17,207
	3,275,836	**77,805**

21. Finance costs

	For the year ended March 31, 2012 Rs.	For the period from January 8, 2010 to March 31, 2011 Rs.
Interest on loan	-	216,000
Bank charges	24,036	9,614
	24,036	**225,614**

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2012

22. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	As at March 31, 2012	As at March 31, 2011
	Rs.	Rs.
Total operations for the year		
Profit/ (loss) after tax	(38,912,761)	(29,572,537)
Net profit/ (loss) for calculation of basic & diluted EPS	**(38,912,761)**	**(29,572,537)**
	No.	**No.**
Weighted average number of equity shares in calculating basic EPS	28,927,083	13,878,783
Effect of dilution:		
Share application money received	938,896	-
Weighted average number of equity shares in calculating diluted EPS	**29,865,979**	**13,878,783**

23 Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme of gratuity is unfunded.

The following table summarizes the components of net benefit expenses recognized in profit and loss account and amounts recognized in balance sheet.

Profit and Loss Account

a) Net Employee benefit expense

Particulars	March 31, 2012 (Amount in Rs.)	March 31, 2011 (Amount in Rs.)
1. Current Service Cost	3,83,978	74,000
2. Interest Cost on benefit obligation	5,920	-
3. Expected return on plan assets	-	-
4. Actuarial gain/loss on obligation	(21, 898)	-
5. Net benefit expense	3,68,000	74,000

Balance Sheet

b) Details of Provisions:

Particulars	March 31, 2012 (Amount in Rs.)	March 31, 2011 (Amount in Rs.)
1. Present Value of defined benefit obligation	4,42,000	74000
2. Fair value of plan assets	-	-
3. Surplus/(deficit) of funds	(4,42,000)	(74000)
4. Net Asset/(liability) recognized in Balance Sheet	(4,42,000)	(74000)

c) Changes in Present value of the defined benefit obligation are as follows:

Particulars	March 31, 2012 (Amount in Rs.)	March 31, 2011 (Amount in Rs.)
1. Defined benefit obligation at the beginning of the Period	74,000	-
2. Current Service cost	3,83,978	74,000
3. Interest Cost	5,920	-
4. Actuarial gain/loss	(21898)	-
5. Benefits paid	-	-
6. Defined benefit obligation at the end of period	4,42,000	74,000

The principal assumptions used in determining obligations are as follows:

Particulars	**March 31, 2012 (Amount in Rs.)**	**March 31, 2011 (Amount in Rs.)**
1. Discount Rate	8%	8%
2. Expected Rate of return on plan assets	-	-
3. Expected rate of salary increase*	6%	6%
4. Mortality	LIC(1994-96)	LIC(1994-96)
5. Withdrawal rate	Age Related	Age Related

*The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amount for the current and previous period are as follows :

Particulars	**March 31, 2012 (Amount in Rs.)**	**March 31, 2011 (Amount in Rs.)**
1. Defined Benefit obligation	4,42,000	74000
2. Plan Assets	-	-
3. Surplus/(deficit)	(4,42,000)	(74000)
4. Experience adjustments on plan liabilities (Gain)/Loss	-	-
5. Experience adjustments on plan assets (Gain)/Loss	-	-

Defined Benefit Contribution

Particulars	**March 31, 2012 (Amount in Rs.)**	**March 31, 2011 (Amount in Rs.)**
Employer's contribution to Provident Fund including Family Pension Fund*	16,18,433	287,648

*included in the head 'Contribution to Provident and Other Funds' and 'Capital Work in Progress (including Capital Advances)'

24 Leases

Operating Lease :

Till June 2011, Office premises are obtained on operating lease by the Holding Company. The lease term is for three years and renewable for further two terms of three years at the option of the Company. There is 15% escalation clause in the lease agreement at the time of each renewal. From 1st July, 2011, Office premises are obtained on operating lease by the Company. The lease term is for eleven months and renewable for further two terms of three years at the option of the Company.

Particulars	**For the year ended March 31, 2012**	**For the period ended March 31, 2011**
	Amount (in Rs.)	**Amount (in Rs.)**
Lease payment for the period	77,97,657	2,013,706

The Holding Company has allocated rental expenses of common office premises on the basis of its best estimate, which approximates to space used by each of the companies. The management believes the said method is most appropriate basis for allocation of such common expenses. Further based on legal opinion, the Company believes that there is no TDS or service tax implication arising out of such arrangement.

25 Related party disclosures

Names of related parties

Holding Company	Bharat Forge Limited
Associate Company	ALSTOM Bharat Forge Power Limited ALSTOM Switzerland Ltd ALSTOM Power Holdings SA ALSTOM Technology Ltd BF Infrastructure Limited
Key Management Personnel (KMP)	Mr. Abhijit Bhattacharya, CEO and Managing Director (till September 27, 2011) Mr Vijay Kumar Jain, CEO and Managing Director (from October 1, 2011)

Transaction with Related Parties during the year

Particulars	**Holding Company**		**Associate Company**		**KMP**		**Total**	
	2011-12	**2010-11**	**2011-12**	**2010-11**	**2011-12**	**2010-11**	**2011-12**	**2010-11**
Issue of Equity Share Capital								
Bharat Forge Limited	66,108,750	122,782,500	-	-	-	-	66,108,750	122,782,500
ALSTOM Power Holdings SA	-	-	63,516,250	117,967,500	-	-	63,516,250	117,967,500
Share application Money received								
Bharat Forge Limited	66,108,750	-	-	-	-	-	66,108,750	-
ALSTOM Power Holdings SA	-	-	63,516,250	-	-	-	63,516,250	-
Fund reimbursed/includes expenses incurred on behalf of Company								
Bharat Forge Limited	3,281,082	39,749,103	-	-	-	-	3,281,082	39,749,103
ALSTOM Bharat Forge Power Limited	-	-	498,402	4,756,688	-	-	498,402	4,756,688
BF Infrastructre Limited	-	-	9,040,870	-	-	-	9,040,870	-
Remuneration								
Mr. Abhijit Bhattacharya	-	-	-	-	3,127,182	2,797,169	3,127,182	2,797,169
Mr. Vijay Kumar Jain	-	-	-	-	1,340,435	-	1,340,435	-
Purchase of Technical Services								
ALSTOM Switzerland Ltd	-	-	7,620,693	5,766,129	-	-	7,620,693	5,766,129
							-	-
Technology Licence Fee Instalment							-	-
ALSTOM Technology Limited	-	-	-	18,514,810	-	-	-	18,514,810
Balances outstanding at year end							-	-
Payable to :							-	-
ALSTOM Technology Limited	-	-	-	5,730,411	-	-	-	5,730,411
ALSTOM Switzerland Limited	-	-	-	5,766,129	-	-	-	5,766,129

26 Capital and other commitments

Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 17,156,444,613 as at March 31, 2012. (Rs. 40,112,870 as at March 31, 2011).

27 Derivative instruments and unhedged foreign currency exposure

There are no hedged foreign currency exposures as at March 31,2012. There is no outstanding derivative instrument as at Balance Sheet Date.

Particulars of Unhedged foreign Currency Exposure :

Particulars	For the year ended March 31, 2012	For the period ended March 31, 2011
Technology Fee Payable	NIL	Rs. 5,730,411 (EURO 1,00,000 @ Closing rate of 1 EURO = Rs. 57.3041)
Support and Technical Fee Payable	NIL	Rs. 5,157,370 (EURO 90,000 @ Closing rate of 1 EURO = Rs. 57.3041)

28 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	-	-
Interest due on above	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-

29 Expenditure in foreign currency (accrual basis)

	As at March 31, 2012 Rs.	As at March 31, 2011 Rs.
Technical Services	7,620,693	5,766,129
Travelling and conveyance	2,187,679	966,444
	9,808,372	**6,732,573**

30 Income taxes

The company does not have any taxable income for the period ended March 31, 2012 under the Income Tax Act, 1961. Accordingly, no provision for income tax has been made in financial statements.

In accordance with AS 22-'Accounting for Taxes on Income', notified by the Companies (Accounting Standard) Rules, 2006 in view of losses incurred by the Company during the year and the Company is in the process of setting up plant, deferred tax on losses have not been accounted in books since it is not virtually certain that Company will not be able to take advantage of such losses.

As per our report of even date

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

Raman Sobti
Partner
Membership no.: 89218

Place: New Delhi
Date: 10/05/2012

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

Vijay Kumar Jain
Director

Philippe Cochet
Director

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: New Delhi
Date: 10/05/2012

NOTES

NOTES

KALYANI

BHARAT FORGE LIMITED
Mundhwa, Pune Cantonment,
Pune 411 036, Maharashtra, India
Phone : +91-20-2670 2476
Fax : +91-20-2682 2163
E-mail : info@bharatforge.com
Website : www.bharatforge.com