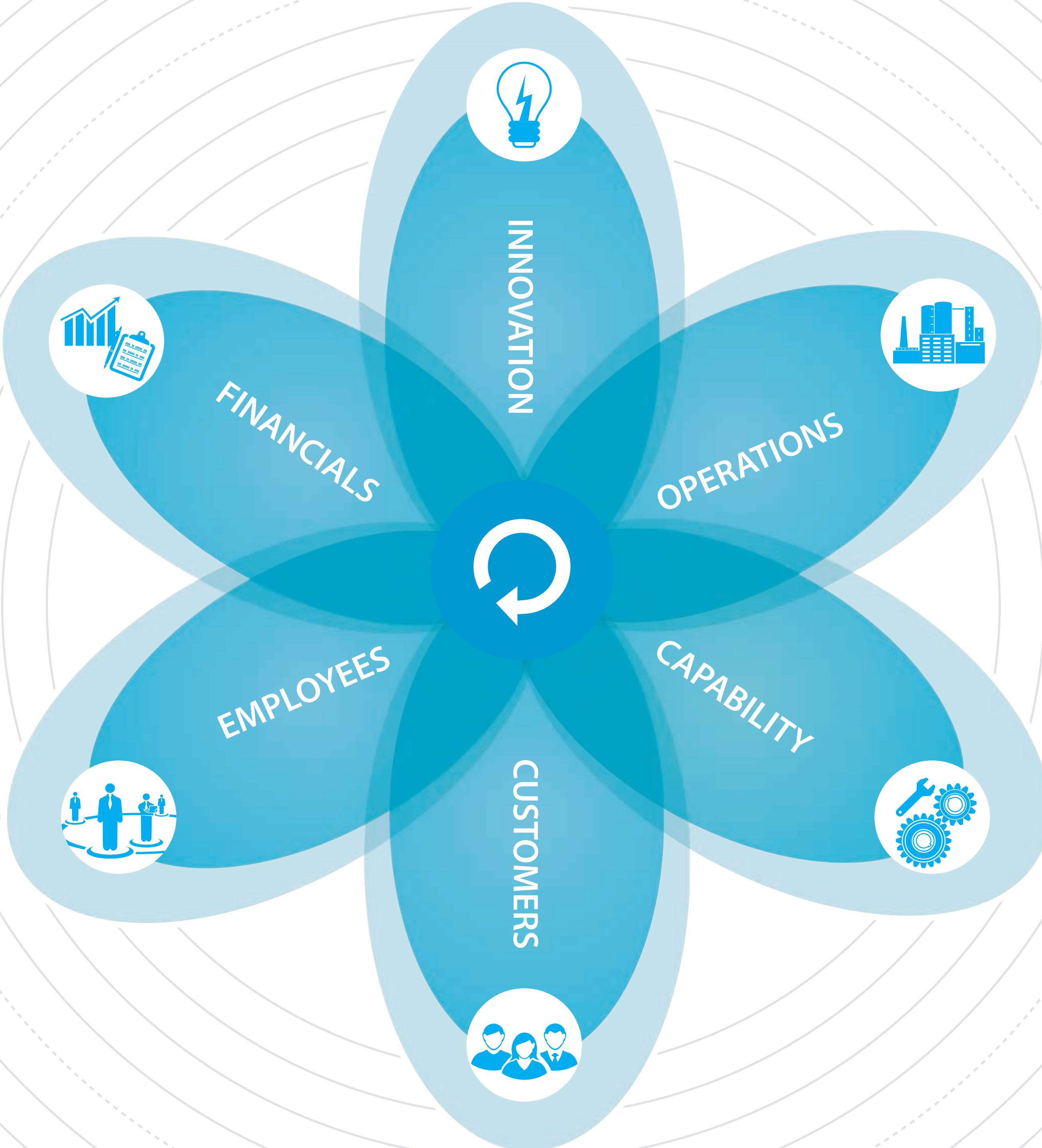
KALYANI

BHARAT FORGE




# Success through Transformation

Subsidiary Companies
Annual Reports - 2013-14

# CDP Bharat Forge GmbH, Ennepetal

***Managing Director***
Dr. Arndt Laβmann
Mr. Michael P. Kasperski
Mr. Martin von Werne

***Registered Office***
Mittelstrasse 64
58256 Ennepetal
Germany

***Auditors***
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaft
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, 2013. 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, May 22nd, 2014

W U P T r e u h a n d G m b H

Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| (Börstinghaus) | (Lingnau) |
| Wirtschaftsprüfer | 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, 2013**

| | Rs. | | EUR | | *Previous Year* EUR |
|---|---|---|---|---|---|
| 1. Sales | | 14,100,256,032.76 | | 170,753,858.94 | 152,258,761.65 |
| 2. Decrease in finished good inventories and work-in-process | | 199,981,743.75 | | 2,421,775.49 | 2,638,762.48 |
| 3. Production for own plant and equipment capitalised | | 3,752,362.87 | | 45,441.05 | 96,601.25 |
| | | 14,303,990,139.38 | | 173,221,075.48 | 154,994,125.38 |
| 4. Other operating income | | 98,783,099.32 | | 1,196,261.64 | 1,356,540.97 |
| | | 14,402,773,238.70 | | 174,417,337.12 | 156,350,666.35 |
| 5. Cost of materials | | | | | |
| a) Cost of raw materials, consumables, supplies and purchased merchandise | (7,066,304,753.56) | | (85,572,829.48) | | (77,589,235.47) |
| b) Cost of purchased services | (2,258,476,869.56) | | (27,350,116.19) | | (28,155,116.44) |
| | | (9,324,781,623.12) | | (112,922,945.67) | (105,744,351.91) |
| | | 5,077,991,615.58 | | 61,494,391.45 | 50,606,314.44 |
| 6. Personnel expenses | | | | | |
| a) Wages and saleries | (2,151,141,485.64) | | (26,050,286.53) | | (24,867,938.77) |
| b) Social security contributions and pension expenses thereof Rs. 22,754,365.81 EUR 275,554.98 (2012: EUR 191,730.00) for pension expenses | (434,647,933.77) | | (5,263,579.03) | | (4,924,223.79) |
| | | (2,585,789,419.41) | | (31,313,865.56) | (29,792,162.56) |
| 7. Depreciation and amortization on intangible fixed assets and tangible assets | | (557,500,543.61) | | (6,751,322.03) | (5,871,142.31) |
| 8. Other operating expenses | | (1,116,828,184.77) | | (13,524,770.18) | (12,700,265.71) |
| | | 817,873,467.79 | | 9,904,433.68 | 2,242,743.86 |
| 9. Income from Profit & Loss transfer agreements | 106,993,416.47 | | 1,295,688.44 | | 1,272,373.58 |
| 10 Investment income thereof Rs. 13,252,454.76 EUR 160,487.00 (2012: EUR 55,959.00) from affiliated companies | 13,368,061.86 | | 161,887.00 | | 64,225.64 |
| 11 Other interest and similar income thereof Rs. 17,715.96 EUR 214.54 (2012: EUR 40,277.65) from affiliated companies | 37,571.48 | | 454.99 | | 40,569.74 |
| 12 Depreciation on financial assets | (120,943.19) | | (1,464.62) | | - |
| 13 Expenses out of profit and loss transfer agreements | (67,932,750.13) | | (822,664.44) | | (1,772,795.74) |
| 14 Interest and similar expenses thereof Rs. 64,561,166.50 EUR 781,834.62 (2012: EUR 346,094.00) to affiliated companies thereof Rs. 27,834,804.04 EUR 337,079.00 (2012: EUR 328,279.00) from discounting of provisions | (113,726,122.11) | | (1,377,221.39) | | (860,377.37) |
| | | (61,380,765.62) | | (743,320.02) | (1,256,004.15) |
| **15 Results from ordinary business operations** | | **756,492,702.17** | | **9,161,113.66** | **986,739.71** |
| 16 Extraordinary Income | - | | - | | 380,000.00 |
| 17 Extraordinary Expenses | (8,532,877.47) | | (103,333.00) | | (452,883.70) |
| 18 Extraordinary Results | | (8,532,877.47) | | (103,333.00) | (72,883.70) |
| 19 Taxes on income | (112,662,834.89) | | (1,364,345.00) | | 4,955.19 |
| 20 Other taxes | (24,330,717.34) | | (294,644.57) | | (309,601.07) |
| | | (136,993,552.23) | | (1,658,989.57) | (304,645.88) |
| **21 Net income for the year** | | **610,966,272.47** | | **7,398,791.09** | **609,210.13** |

**CDP Bharat Forge GmbH, Ennepetal**
**Balance Sheet as at December 31st, 2013**

| ASSETS | Rs. | | EUR | | *As at 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Fixed Assets** | | | | | |
| **I. Intangible assets** | | | | | |
| Trademarks, patents, licenses, and similar rigths and licenses to such rights | | 27,102,515.64 | | 328,211.00 | 373,149.00 |
| **II. Tangible assets** | | | | | |
| 1. Land, land rights and buildings including buildings on third party land | 460,661,482.55 | | 5,578,602.66 | | 5,731,276.66 |
| 2. Technical equipment and machinery | 413,106,530.04 | | 5,002,713.00 | | 5,606,140.00 |
| 3. Other plant, factory and office equipment | 729,125,309.17 | | 8,829,695.00 | | 7,968,809.00 |
| 4. Prepayments on tangible assets and construction in progress | 361,581,756.89 | 1,964,475,078.65 | 4,378,748.88 | 23,789,759.54 | 1,891,455.47 |
| | | | | | 21,197,681.13 |
| **III. Financial assets** | | | | | |
| 1. Shares in affiliated companies | 5,360,359,562.60 | | 64,913,862.45 | | 64,913,862.45 |
| 2. Loans to affiliated companies | 358,794,892.50 | | 4,345,000.00 | | 4,345,000.00 |
| 3. Investments | 361,272.19 | | 4,375.00 | | 4,375.00 |
| 4. Loans to associated companies | 2,890,177.50 | | 35,000.00 | | 35,000.00 |
| 5. Security investments | 0.00 | | 0.00 | | 0.00 |
| | | 5,722,405,904.79 | | 69,298,237.45 | 69,298,237.45 |
| | | 7,713,983,499.08 | | 93,416,207.99 | 90,869,067.58 |
| **B. Current assets** | | | | | |
| **I. Inventories** | | | | | |
| 1. Raw materials, supplies and operating materials | 516,617,646.79 | | 6,256,230.85 | | 6,516,538.85 |
| 2. Work in progress | 870,703,626.76 | | 10,544,206.00 | | 8,105,130.91 |
| 3. Finished goods and merchandise | 329,157,288.22 | | 3,986,089.12 | | 4,003,388.72 |
| | 26,011,597.50 | | 315,000.00 | | |
| | | 1,742,490,159.27 | | 21,101,525.97 | 18,625,058.48 |
| **II. Accounts receivable and other assets** | | | | | |
| 1. Trade receivables - of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 2,032,329,772.52 | | 24,611,478.72 | | 17,934,084.25 |
| 2. Receivables from affiliated companies - of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year - of which EUR 0.00 (12/31/2012: EUR 0.00) to shareholders | 362,819,065.00 | | 4,393,732.66 | | 2,955,952.59 |
| 3. Receivables from associated companies - of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 1,060,612.57 | | 12,844.00 | | 11,444.00 |
| 4. Other assets - of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 162,701,311.14 | | 1,970,310.09 | | 1,289,688.30 |
| | | 2,558,910,761.23 | | 30,988,365.47 | 22,191,169.14 |
| **III. Cash on hands, bank balances** | | 292,461,199.96 | | 3,541,700.12 | 1,177,554.85 |
| | | 4,593,862,120.46 | | 55,631,591.56 | 41,993,782.47 |
| **C. Prepaid expenses** | | 4,446,821.32 | | 53,850.93 | 56,123.01 |
| **Asset side difference from offsating of plan assets** | | 5,011,650.36 | | 60,691.00 | 48,683.57 |
| **Total** | | **12,317,304,091.22** | | **149,162,341.48** | **132,967,656.63** |

**CDP Bharat Forge GmbH, Ennepetal**

**Balance Sheet as at December 31st, 2013**

| EQUITY AND LIABILITIES | Rs. | | EUR | | As at 31/12/2012 EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Share Capital** | | 412,882,500.00 | | 5,000,000.00 | 5,000,000.00 |
| **II. Capital reserves** | | 4,439,678,288.74 | | 53,764,428.00 | 52,464,428.00 |
| **III. Profit/loss brought forward** | | 1,837,792,547.62 | | 22,255,636.26 | 21,646,426.13 |
| **IV. Net income for the year** | | 610,966,272.44 | | 7,398,791.09 | 609,210.13 |
| | | 7,301,319,608.80 | | 88,418,855.35 | 79,720,064.26 |
| **B. Accruals** | | | | | |
| 1. Accruals for pensions and similar obligations | 398,347,136.74 | | 4,823,977.00 | | 4,244,219.00 |
| 2. Tax accruals | 69,959,118.81 | | 847,203.73 | | 105,000.00 |
| 3. Other accruals | 410,891,414.61 | | 4,975,887.99 | | 3,471,961.27 |
| | | 879,197,670.16 | | 10,647,068.72 | 7,821,180.27 |
| **C. Liabilities** | | | | | |
| 1. Liabilities to Banks<br>up to one year: EUR 0.00<br>(12/31/2012: EUR 2,097,044.10) | - | | - | | 2,097,044.10 |
| 2. Trade payables<br>- up to one year: Rs. 1,921,233,894.43 EUR 23,266,109.54<br>(12/31/2012: EUR 18,976,069.40) | 1,921,233,894.43 | | 23,266,109.54 | | 18,976,069.40 |
| 3. Payables to affiliated companies<br>- up to one year: Rs. 2,171,623,371.77 EUR 26,298,321.82<br>(12/31/2012: EUR 23,953,500.80)<br>- of which Rs. 1,760,591,097.34 EUR 21,320,728.02<br>(12/31/2012: EUR 18,382,731.19) to shareholders<br>- of which Rs. 100,744,883.26 EUR 1,220,018.81<br>(12/31/2012: EUR 680,296.17) from Trade Payables | 2,171,623,371.77 | | 26,298,321.82 | | 23,953,500.80 |
| 4. Other liabilities<br>- up to one year: Rs. 43,872,358.53 EUR 531,293.51<br>(12/31/2012: EUR 399,797.80)<br>- of which Rs. 24,905,449.77 EUR 301,604.57<br>(12/31/2012: EUR 394,349.13) taxes<br>- of which Rs. 105,037.31 EUR 1,272.00<br>(12/31/2012: EUR 0.00) relating to social security | 43,872,358.53 | | 531,293.51 | | 399,797.80 |
| | | 4,136,729,624.73 | | 50,095,724.87 | 43,329,368.00 |
| **D. Deferred Income** | | 57,187.53 | | 692.54 | - |
| **Total** | | **12,317,304,091.22** | | **149,162,341.48** | **132,967,656.63** |

# Notes for the fiscal Year 2013 of CDP Bharat Forge GmbH, Ennepetal

## General notes relating to annual accounts

The annual accounts for the fiscal year 2013 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. 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.

**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 allowance.

**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: 4.90 % 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 1,137.

The obligation resulting from work associated with progressive retirement was offset at the present value of the stock deposit 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 **foreign 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, 2013**

| | | Historical acquisition or manufacturing costs | | | | | Accumulated depreciation | | | | Book value | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1/1/2013 | Additions | Disposals | Transfers | 12/31/2012 | 1/1/2013 | Additions | Disposals | 12/31/2013 | 12/31/2013 | 12/31/2012 |
| | | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| I. | **Intangible assets** | | | | | | | | | | | |
| | Concessions, trade mark rights and similar rights and values, licenses | 1,359,162.95 | 161,930.19 | 179,889.76 | 21,143.93 | 1,362,347.31 | 986,013.95 | 227,892.12 | 179,769.76 | 1,034,136.31 | 328,211.00 | 373,149.00 |
| | | 1,359,162.95 | 161,930.19 | 179,889.76 | 21,143.93 | 1,362,347.31 | 986,013.95 | 227,892.12 | 179,769.76 | 1,034,136.31 | 328,211.00 | 373,149.00 |
| II. | **Tangible assets** | | | | | | | | | | | |
| | 1. Land, land rights and Buildings, including buildings on third party land | 9,271,642.31 | 258,945.65 | 12,694.12 | 46,425.20 | 9,564,319.04 | 3,540,365.65 | 458,044.85 | 12,694.12 | 3,985,716.38 | 5,578,602.66 | 5,731,276.66 |
| | 2. Technical equipment and machinery | 22,613,503.74 | 226,507.88 | 87,176.02 | 803,172.19 | 23,556,007.79 | 17,007,363.74 | 1,633,107.07 | 87,176.02 | 18,553,294.79 | 5,002,713.00 | 5,606,140.00 |
| | 3. Other plant, factory and office equipment | 28,597,838.36 | 4,433,587.76 | 516,775.68 | 875,114.23 | 33,389,764.67 | 20,629,029.36 | 4,432,277.99 | 501,237.68 | 24,560,069.67 | 8,829,695.00 | 7,968,809.00 |
| | 4. Prepayments on tangible assets and construction in progress | 1,891,455.47 | 4,256,331.20 | 23,182.24 | (1,745,855.55) | 4,378,748.88 | - | - | - | - | 4,378,748.88 | 1,891,455.47 |
| | | 62,374,439.88 | 9,175,372.49 | 639,828.06 | (21,143.93) | 70,888,840.38 | 41,176,758.75 | 6,523,429.91 | 601,107.82 | 47,099,080.84 | 23,789,759.54 | 21,197,681.13 |
| III. | **Financial Assets** | | | | | | | | | | | |
| | 1. Shares in affiliated companies | 64,913,862.45 | | | | 64,913,862.45 | - | - | - | - | 64,913,862.45 | 64,913,862.45 |
| | 2. Loans to affiliated companies | 4,345,000.00 | | | | 4,345,000.00 | - | - | - | - | 4,345,000.00 | 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 | 0.00 | | | | - | - | - | - | - | - | - |
| | | 69,298,237.45 | - | - | - | 69,298,237.45 | - | - | - | - | 69,298,237.45 | 69,298,237.45 |
| | | 133,031,840.28 | 9,337,302.68 | 819,717.82 | (0.00) | 141,549,425.14 | 42,162,772.70 | 6,751,322.03 | 780,877.58 | 48,133,217.15 | 93,416,207.99 | 90,869,067.58 |

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

Bharat Forge Kilsta AB received a loan of TEUR 1,000.

Of the **other provisions** the main ones are in conjunction with personnel for flexitime credits (TEUR 1,028), working time associated with progressive retirement (TEUR 711), yearly bonus premiums (TEUR 600) and anniversary bonuses (TEUR 336) as well as for outstanding invoices from suppliers (TEUR 630).

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

- Pension provisions: The individual values of the provisions were offset against the corresponding assets. The present values of the assets offset amount to EUR 134 and the acquisition cost have the same value. The repayment amounts of the liabilities to be offset amount to TEUR 61. There is a remaining asset value from the offset against the repayment amount of the liabilities.

- Provisions for working time balances associated with progressive retirement: The present values of the assets offset amount to EUR 668 and the acquisition cost to EUR 694. The repayment amounts of the liabilities to be offset amount to TEUR 1,379.

**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 281 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 271, of which TEUR 157 will fall due within 2014.

Guarantees existed as of 31.12.2013 as follows:

| Nature | Maturity | Value as of balance sheet date | Risk for usage as of balance sheet date |
|---|---|---|---|
| 1. Liabilities from debt guarantees: in favour of an affiliated company for the debt of delivery from a supplier | 31.07.2014 | T€ 870 | Economic situation and earnings prospects do not allow the expectation of usage of the guarantee, there is dedicated insight into the planning documents. |

| | | | |
|---|---|---|---|
| 2. Liabilities from letters of comfort: Collateral promises in favour of an affiliated company | 2020<br><br>2019 | T€ 531<br><br>T€ 8.000 | Economic situation and earnings prospects do not allow the expectation of usage of the guarantee, there is dedicated insight into the planning documents. |
| | | T€ 9.401 | |

**Notes relating to profit & loss account**

Turnover

The geographical breakdown of the turnover is as follows:

| **Turnover distribution by region** | **2013** | **2012** |
|---|---|---|
| **Germany** | **70,110** | **59,776** |
| **Other countries** | **100,644** | **92,483** |
| Thereof in Europe | 79,328 | 70,262 |
| Thereof in USA | 19,612 | 18,979 |
| Thereof in Australia | 1,211 | 865 |
| Thereof in rest of the world | 493 | 2,377 |
| **TOTAL** | **170,754** | **152,259** |

**Currency conversion**

Income from currency conversions amounts to TEUR 34 and losses from currency conversions amount to TEUR 171.

**Extraordinary result**

The extraordinary expenses relate to the provisioning adjustment for pensions spread over several years (€ 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:

| | Positive differences | Negative differences | Possible deferred taxes |
|---|---|---|---|
| | **T€** | **T€** | **T€** |
| Provisions | | | |
| Pensions | 706 | | 198 |
| Fixed assets | 546 | | 168 |
| other | 619 | | 191 |
| Other assets | 96 | | 30 |
| | | 45 | -14 |
| | 1.967 | 45 | 573 |

The calculation of the deferred taxes is based on a tax rate of ca. 15% for trade tax and 15.825% for corporation tax / solidarity surcharge.

The average personnel structure is shown in the summary below:

| | |
|---|---|
| Workers | 357 |
| Salaried employees | 129 |
| Trainees | 23 |
| **Total number of employees** | **509** |

Directors of CDP Bharat Forge GmbH in 2013:

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

The total remuneration of the Management Board amounted to TEUR 1,122.

The pension provisions for former directors amounted to TEUR 435 as of 31.12.2013. 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 179 for the aforementioned group of persons.

In 2013 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau

- Mr Sanjeev Joglekar

In 2013 the members of the advisory board received remuneration totalling TEUR 31.

**Shareholdings**

| | Equity Capital | Share- | Last |
|---|---|---|---|
| | TEUR | % | TEUR |
| Bharat Forge Holding GmbH | 4,791 | 100 | - 337 |
| Bharat Forge Daun GmbH | 3,587 | 100 | 1,296 *) |
| BF New Technologies GmbH | 1,575 | 100 | - 823 *) |
| Talbahn GmbH | - 64 | 35 | - 104 |
| Bharat Forge Beteiligungs-GmbH | 43,865 | 100 | - 4,881 |

*) 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, 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 E-Bundesanzeiger.

Ennepetal, 28.02.2014

CDP Bharat Forge GmbH

Dr. Arndt Laßmann Michael Kasperski Martin von Werne

## Bharat Forge Holding GmbH

| Managing Director | Registered Office | Auditors |
|---|---|---|
| Dr. Arndt Laβmann | Mittelstrasse 64<br>58256 Ennepetal<br>Germany | WuP Truehand EmbH<br>Wirtschaftsprufungsgesellschaf<br>Feithstrasse 177<br>58097 Hagen<br>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, 2013. 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 30th, 2014

(Börstinghaus)
Wirtschaftsprüfer

(German Public Auditor)

(Lingnau)
Wirtschaftsprüfer

(German Public Auditor)

**Bharat Forge Holding GmbH, Ennepetal**

**Balance Sheet as at December 31st 2013**

**A S S E T S**

| | Rs. | Rs. | EUR | EUR | *As at 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Fixed Assets** | | | | | |
| **Financial assets** | | | | | |
| 1. Shares in affiliated companies | 619,831,801.09 | | 7,506,152.49 | | 7,506,152.49 |
| 2. Loans to affiliated companies | 82,576,500.00 | | 1,000,000.00 | | 1,000,000.00 |
| | | 702,408,301.09 | | 8,506,152.49 | 8,506,152.49 |
| **B. Current assets** | | | | | |
| **I. Accounts receivable and other assets** | | | | | |
| 1. Receivables from affiliated companies of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 36,906,966.34 | | 446,942.73 | | 486,301.45 |
| 2. Other assets of which EUR 0.00 (12/31/20012: EUR 0.00) due after one year | 2,646,824.55 | | 32,053.00 | | 23,707.82 |
| | | 39,553,790.89 | | 478,995.73 | 510,009.27 |
| **II. Cash on hands, bank balances** | | 1,891,211.60 | | 22,902.54 | 288,875.22 |
| **Total** | | **743,853,303.58** | | **9,008,050.76** | **9,305,036.98** |

**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 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Share Capital** | 2,064,412.50 | | 25,000.00 | | 25,000.00 |
| **II. Capital reserves** | 249,711,336.00 | | 3,024,000.00 | | 3,024,000.00 |
| **III. Profit/Loss brought forward** | 171,670,615.33 | | 2,078,928.21 | | 1,958,467.94 |
| **IV. Net loss/income for the year** | (27,798,232.56) | | (336,636.12) | | 120,460.27 |
| | | 395,648,131.27 | | 4,791,292.09 | 5,127,928.21 |
| **B. Accruals** | | | | | |
| 1. Other Provisions | 412,882.50 | | 5,000.00 | | 5,000.00 |
| | | 412,882.50 | | 5,000.00 | 5,000.00 |
| **C. Liabilities** | | | | | |
| Payables to affiliated companies up to one year: Rs. 347,792,289.81 EUR 4,211,58.67 (12/31/2012: EUR 4,172,108.77) | | 347,792,289.81 | | 4,211,758.67 | 4,172,108.77 |
| **Total** | | **743,853,303.58** | | **9,008,050.76** | **9,305,036.98** |

**Bharat Forge Holding GmbH, Ennepetal**

**Profit and Loss Account for the period from January 1st to December 31st 2013**

| | Rs. | | EUR | | Previous Year EUR |
|---|---|---|---|---|---|
| 1. Other operating income | | - | | - | 3,927.13 |
| 2. Other operating expenses | | (539,505.31) | | (6,533.40) | (8,043.50) |
| | | (539,505.31) | | (6,533.40) | (4,116.37) |
| 3. Other interest and similar income<br>thereof Rs. 2,600,481.80 EUR 31,491.79 (2012: EUR 140,454.28)<br>from affiliated companies | 2,600,481.80 | | 31,491.79 | | 140,454.28 |
| 4. Interest and similar expenses<br>thereof Rs. 2,762,183.93 EUR 33.450,00 (2012: EUR 33.450,00)<br>to affiliated companies | 2,762,183.93 | | 33,450.00 | | 33,450.00 |
| | | (161,702.13) | | (1,958.21) | 107,004.28 |
| **5. Results from ordinary business operations** | | **(701,207.44)** | | **(8,491.61)** | **102,887.91** |
| 6. Taxes on income | | (27,097,025.12) | | (328,144.51) | 17,572.36 |
| **7. Net income/ loss for the year** | | **(27,798,232.56)** | | **(336,636.12)** | **120,460.27** |

## Notes for the financial year 2013 of Bharat Forge Holding GmbH, Ennepetal

### General information about the statement of accounts

Bharat Forge Holding GmbH, Ennepetal, is a micro-enterprise according to § 267a Section 1 of the German Commercial Code (HGB).

The statement of accounts for the financial year 2013 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.

### Other information

Managing Director in 2013 were

Dr. Arndt Laßmann, Businessman, Düsseldorf.

**Shares in affiliated companies**

| | Shares | Equity 31.12.2013 | Results 2013 |
|---|---|---|---|
| | % | KEUR | KEUR |
| Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf | 100 | 14.971 | 2.135 |

**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, 20th February, 2014

Bharat Forge Holding GmbH

Dr. Arndt Laßmann

Managing Director

# Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf

***Managing Director***
Dr. Ing. Peter Hopp

***Registered Office***
Berthelsodorfer StraBe 8
09618 Brand-Erbisdorf
Germany

***Auditors***
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaf
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, 2013. 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, May 22nd, 2014

W U P T r e u h a n d G m b H

Wirtschaftsprüfungsgesellschaft

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

**Bharat Forge Aluminiumtechnik GmbH & Co. KG**

**Profit and Loss Account for the period from January 1 to December 31, 2013**

| | Rs. | Rs. | EUR | EUR | *Previous Year* EUR |
|---|---|---|---|---|---|
| 1. Sales | | 3,657,345,957.96 | | 44,290,396.88 | 36,616,567.25 |
| 2. Increase or decrease in finished goods and work-in-progress | | (29,426,722.07) | | (356,357.10) | 618,709.70 |
| | | 3,627,919,235.89 | | 43,934,039.78 | 37,235,276.95 |
| 3. Other operating income | | 64,865,964.62 | | 785,525.72 | 629,836.43 |
| of which Currency Translation Rs. 2,083,913.77 | | | | | |
| EUR 25,236.16 (2012: EUR 29,665.83) | | | | | |
| | | 3,692,785,200.51 | | 44,719,565.50 | 37,865,113.38 |
| 4. Cost of materials | | | | | |
| a) Cost of raw materials, consumables, supplies and purchased merchandise | 2,005,406,664.24 | | 24,285,440.34 | | 21,407,163.54 |
| b) Cost of purchased services | 424,718,872.65 | | 5,143,338.27 | | 5,017,012.52 |
| | | 2,430,125,536.89 | | 29,428,778.61 | 26,424,176.06 |
| 5. Personnel expenses | | | | | |
| a) Wages and salaries | 464,847,561.97 | | 5,629,296.01 | | 4,870,840.51 |
| b) Social security contributions and pension expenses thereof Rs. 3,838,228.39 EUR 46,480.88 (2012: EUR 44,834.56) for pension expenses | 88,863,768.19 | | 1,076,138.71 | | 954,031.82 |
| 6. Depreciation and amortization on intangible fixed assets and tangible assets | 143,337,347.33 | | 1,735,812.82 | | 1,843,527.95 |
| 7. Other operating expenses | 305,938,606.31 | | 3,704,911.28 | | 3,089,608.80 |
| of which Currency Translation Rs. 316,439.75 | | | | | |
| EUR 3,832.08 (2012: EUR 108,956.49) | | | | | |
| | | 1,002,987,283.80 | | 12,146,158.82 | 10,758,009.08 |
| | | 259,672,379.82 | | 3,144,628.07 | 682,928.24 |
| 8. Other interest and similar income | 3,316.27 | | 40.16 | | 0.00 |
| 9. Interest and similar expenses | 33,294,305.58 | | 403,193.47 | | 596,565.48 |
| of which to affiliated companies: Rs. 4,273,275.25 | | | | | |
| EUR 51,749.29 (31/12/2012: EUR 142,200.15) | | | | | |
| of which from compounding accruals: Rs. 939,307.69 | | | | | |
| EUR 11,375.00 (31/12/2012: EUR 8,332.00) | | | | | |
| | | (33,290,989.31) | | (403,153.31) | (596,565.48) |
| **10. Results from ordinary business operations** | | **226,381,390.51** | | **2,741,474.76** | **86,362.76** |
| 11. Extra Ordinary Expenses | | 24,772,950.00 | | 300,000.00 | 50,000.00 |
| | | 201,608,440.51 | | 2,441,474.76 | 36,362.76 |
| 11. Taxes on income and profits | 23,812,089.85 | | 288,364.00 | | 2,448.25 |
| 12. Other taxes | 1,463,057.40 | | 17,717.60 | | 16,867.70 |
| | | 25,275,147.25 | | 306,081.60 | 19,315.95 |
| **13. Net income for the year** | | **176,333,293.26** | | **2,135,393.16** | **17,046.81** |

**Bharat Forge Aluminiumtechnik GmbH & Co. KG**
**Balance Sheet as at December 31, 2013**

| ASSETS | Rs. | | EUR | | *As at 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Fixed Assets** | | | | | |
| **I. Intangible assets** | | | | | |
| 1 Concessions, trade mark rights and similar rights and values, licenses | | 5,235,845.56 | | 63,406.00 | 48,371.00 |
| **II. Tangible assets** | | | | | |
| 1. Land, land rights and buildings including buildings on third party land | 262,370,707.34 | | 3,177,304.77 | | 2,846,043.84 |
| 2. Technical equipment and machinery | 587,041,705.97 | | 7,109,065.00 | | 8,171,257.00 |
| 3. Other plant, factory and office equipment | 99,475,533.00 | | 1,204,647.00 | | 947,282.00 |
| 4. Prepayments on tangible assets and construction in progress | 1,004,078,000.45 | | 12,159,367.38 | | 49,423.97 |
| | | 1,952,965,946.76 | | 23,650,384.15 | 12,014,006.81 |
| **III. Financial assets** | | | | | |
| Shares in affiliated companies | | 2,111,034.37 | | 25,564.59 | 25,564.59 |
| | | 1,960,312,826.69 | | 23,739,354.74 | 12,087,942.40 |
| **B. Current assets** | | | | | |
| **I. Inventories** | | | | | |
| 1. Raw materials, supplies and operating materials | 217,521,358.16 | | 2,634,179.92 | | 2,813,521.18 |
| 2. Work in progress | 181,123,178.67 | | 2,193,398.59 | | 2,295,459.28 |
| 3. Finished goods and merchandise | 137,704,622.61 | | 1,667,600.62 | | 1,761,913.03 |
| 4. Prepayments | 16,597,876.50 | | 201,000.00 | | 0.00 |
| | 552,947,035.94 | | 6,696,179.13 | | 6,870,893.49 |
| **II. Accounts receivable and other assets** | | | | | |
| 1. Trade receivables<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 518,170,587.03 | | 6,275,036.93 | | 4,427,516.17 |
| 2. Receivables from affiliated companies<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 0.00 | | 0.00 | | 95.20 |
| 3 Other assets<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 113,819,096.64 | | 1,378,347.31 | | 442,284.65 |
| | 631,989,683.67 | | 7,653,384.24 | | 4,869,896.02 |
| **III. Cash on hands, bank balances** | 44,061,175.48 | | 533,580.08 | | 576,206.96 |
| | | 1,228,997,895.09 | | 14,883,143.45 | 12,316,996.47 |
| **C. Prepaid expenses** | | 22,317,698.80 | | 270,266.95 | 21,904.36 |
| **D. Asset side difference from offsetting of planned asset** | | 1,781,340.26 | | 21,572.00 | |
| **Total** | | **3,213,409,760.84** | | **38,914,337.14** | **24,426,843.23** |

**Bharat Forge Aluminiumtechnik GmbH & Co. KG**
**Balance Sheet as at December 31, 2013**

| EQUITY AND LIABILITIES | Rs. | | EUR | | As at 31/12/2012 EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Capital of limited partner** | 619,323,750.00 | | 7,500,000.00 | | 7,500,000.00 |
| **II. Capital reserve** | 65,565,741.00 | | 794,000.00 | | 794,000.00 |
| **III. Retained income** | 374,993,714.76 | | 4,541,167.46 | | 4,524,120.65 |
| **IV. Net income for the year** | 176,333,293.28 | | 2,135,393.16 | | 17,046.81 |
| | | 1,236,216,499.04 | | 14,970,560.62 | 12,835,167.46 |
| B Adjustments for shares held in the own general partner | | 2,111,034.37 | | 25,564.59 | 25,564.59 |
| **C Special item for investment grants** | | 89,853,058.60 | | 1,088,119.00 | 1,229,526.00 |
| **D Provisions & Accruals** | | | | | |
| 1. Accruals for pensions and similar obligations | 0.00 | | 0.00 | | 0.00 |
| 2. Tax accruals | 0.00 | | 0.00 | | 4,489.00 |
| 3. Other accruals | 114,644,836.05 | | 1,388,347.00 | | 1,042,448.45 |
| | | 114,644,836.05 | | 1,388,347.00 | 1,046,937.45 |
| **E Liabilities** | | | | | |
| 1. Liabilities to banks | 1,176,812,634.63 | | 14,251,180.84 | | 3,812,351.67 |
| - of which up to one year: Rs. 206,493,332.65 EUR 2,500,630.72 (12/31/2012: EUR 1,377,305.35) | | | | | |
| 2. Trade payables | 353,621,085.84 | | 4,282,345.29 | | 2,933,580.27 |
| - of which up to one year: Rs. 325,462,942.78 EUR 3,941,350.66 (12/31/2012: EUR 2,933,580.27) | | | | | |
| 3. Payables to affiliated companies | 18,057,857.92 | | 218,680.35 | | 113,353.45 |
| - of which up to one year: Rs. 18,057,857.92 EUR 218,680.35 (12/31/2012: EUR 113,353.45) | | | | | |
| - of which Trade payable: Rs. 369,971.62 EUR 4,480.35 (12/31/2012: EUR 0.00) | | | | | |
| 4 Liabilities to limited partner | 125,707,230.72 | | 1,522,312.41 | | 1,558,128.71 |
| - of which up to one year: Rs. 43,130,730.72 EUR 522,312.41 (12/31/2012: EUR 558,128.71) | | | | | |
| 5 Other liabilities | 96,385,523.67 | | 1,167,227.04 | | 872,233.63 |
| - of which taxes: Rs. 7,799,530.44 EUR 94,452.18 (12/31/2012: EUR 397,401.63) | | | | | |
| - of which related to social security: Rs. 99,752.41 EUR 1,208.00 (12/31/2012: EUR 1,959.18) | | | | | |
| - of which upto one year: Rs. 44,327,358.35 EUR 536,803.55 (12/31/2012: EUR 662,440.45) | | | | | |
| | | 1,770,584,332.78 | | 21,441,745.93 | 9,289,647.73 |
| **Total** | | **3,213,409,760.84** | | **38,914,337.14** | **24,426,843.23** |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2013**

## A. GENERAL NOTES ON THE FINANCIAL STATEMENTS

The financial statements for the financial year from 01$^{st}$ January to 31$^{st}$ December 2013 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 31.12.2013 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, 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 not totally in line with performance. Pension provisions are determined to the balance sheet date December 31st, 2013 with use of reference tables 2005 G compiled by Dr. Klaus Heubeck. Calculation was made in accordance with Section 249 HGB and Section 252 to 255 HGB. Due to Section 253 para 1 s. 2 HGB a pension provision is to be made with the settlement amount, determined by reasonable commercial evaluation. Appraisal is based on projected unit credit method.

Calculation was made under assumptions of contractual retirement age and the following assumptions:

-actuarial interest rate of 4.88 % p.a. acc. to Section 253 para. 2 HGB and Provisions-Discounting-Act for a maturity of 15 years

-a pension dynamic of 1.00 % p.a.

-fluctuation probability of 0.00 % p.a.

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. The asset value of the reinsurance is assessed at the amortized acquisition costs. These acquisition costs correspond to the coverage capital including irrevocable profit participation.

The pension provision in the amount of 72,565 EUR has been set off against the coverage capital of the reinsurance with an amount of EUR 94,137, so that an asset-side difference from offsetting of plan assets at an amount of 21,572 EUR has been shown. Similarly, expenses and income have been set off in the financial result at the amount of EUR 3,930.

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 4.88%. 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 has been released after buying the building.

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, 2013

| | Historical acquisition or manufacturing | Additions | Disposals | Reclassification | Accumulated Depreciation | Book value 31/12/2013 | Book value 31/12/2012 | Depreciation for the financial year 2013 |
|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | | | | | |
| 1 Concessions, trade mark rights and similar rights and values, licenses | 1,838,536.47 | 64,172.63 | - | - | 1,839,303.10 | 63,406.00 | 48,371.00 | 49,137.63 |
| 2 Prepayments | - | - | - | - | - | - | - | - |
| | 1,838,536.47 | 64,172.63 | - | - | 1,839,303.10 | 63,406.00 | 108,279.00 | 49,137.63 |
| **II. Tangible assets** | | | | | | | | |
| 1. Land, land rights and Buildings, including buildings on third party land | 3,598,381.20 | 496,852.07 | - | - | 917,928.50 | 3,177,304.77 | 2,846,043.84 | 165,591.14 |
| 2. Technical equipment and machinery | 27,440,117.04 | 114,031.62 | - | - | 20,445,083.66 | 7,109,065.00 | 8,171,257.00 | 1,176,223.62 |
| 3. Other plant, factory and office equipment | 3,456,491.86 | 602,225.43 | 8,563.28 | - | 2,845,507.01 | 1,204,647.00 | 947,282.00 | 344,860.43 |
| 4. Prepayments on tangible assets and construction in progress | 49,423.97 | 12,109,943.41 | - | - | - | 12,159,367.38 | 49,423.97 | - |
| | 34,544,414.07 | 13,323,052.53 | 8,563.28 | - | 24,208,519.17 | 23,650,384.15 | 12,014,006.81 | 1,686,675.19 |
| **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 | - |
| | **36,408,515.13** | **13,387,225.16** | **8,563.28** | **-** | **26,047,822.27** | **23,739,354.74** | **12,147,850.40** | **1,735,812.82** |

The item "Other assets" includes accruals that do not legally exist until after the balance sheet date, investment subsidy claims at the amount of 300 T€ and claims for electricity and energy tax refunds at the amount of 228 T€.

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

The material other provisions and accruals belong to outstanding invoices (476 TEUR), management and staff bonus (256 TEUR), guarantees (213 TEUR), anniversary bonus (164 TEUR) and vacation of staff (101 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 | 2,500,630.72 | 10,783,975.12 | 966,575.00 | 14,251,180.84 |
| Trade liabilities | 3,941,350.66 | 340,994.63 | 0.00 | 4,282,345.29 |
| Liabilities to affiliated companies | 218,680.35 | 0.00 | 0.00 | 218,680.35 |
| Liabilities to shareholders | 522,312.41 | 1,000,000.00 | 0.00 | 1,522,312,41 |
| Other liabilities | 536,803.55 | 602,677.39 | 27,746.10 | 1,167,227.04 |
| | 7,719,777.69 | 12,727,647,14 | 994,321.10 | 21,441,745.93 |

The trade liabilities are secured by the usual retentions of title, and the liabilities to banks by the assignment of security, mortgages and in part by co-signing of the contracts by CDP BHARAT FORGE GMBH. The other liabilities are also in part secured by cosigning of the contracts by CSP BHARAT FORGE GMBH. Furthermore, a subordination and non-call agreement has been concluded with the banks regarding the shareholder loan. 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.

An Amount of TEUR -40 of the tax expenses is attributable to the extraordinary result (compensation payment in connection with a non in time delivery because of a press damage).

## D. OTHER NOTES

In the financial year 2013 the company employed on average 163 staff, including 127 trade staff plus 6 apprentices.

Operating lease liabilities until the end of the respective term amounted to 233 TEUR. The annual value of rent liabilities amounted to 234 TEUR.

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

Dr. Peter Hopp, Waldböckelheim, Engineer
and from 3rd of September 2013
Martin Kübelbäck, Meerbusch, businessman.

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 75,352.79 and the profit EUR 4,363.21.

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,
Sanjeev Joglekar, Pune,
Prof. Dr. Uwe Loos, Stuttgart
Dr. Hans-Peter Coenen, Korntal-Münchingen
Eckard Rudau, Münster.

Brand-Erbisdorf, 15th March 2014

| | |
|---|---|
| ............................................................ | ............................................................ |
| Dr. Peter Hopp | Martin Kübelbäck |
| Geschäftsführer | Geschäftsführer |

## Bharat Forge Aluminiumtechnik Verwaltungs GmbH, Brand-Erbisdorf

| ***Managing Director*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Dr. Ing. Peter Hopp | Berthelsodorfer StraBe 8<br>09618 Brand-Erbisdorf<br>Germany | WuP Truehand EmbH<br>Wirtschaftsprufungsgesellschaf<br>Feithstrasse 177<br>58097 Hagen<br>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, 2013. 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, April 30th, 2014

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

**Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG**
**Balance Sheet as at December 31, 2013**

**ASSETS**

| | | | As at 31/12/2012 |
|---|---|---|---|
| | **Rs.** | **EUR** | EUR |
| **A. Current assets** | | | |
| I. Receivables and other assets | | | |
| 1. Receivables from affiliated companies | **6,223,764.38** | **75,369.68** | 71,827.26 |
| Total | **6,223,764.38** | **75,369.68** | 71,827.26 |

**EQUITY AND LIABILITIES**

| | | | | | As at 31/12/2012 |
|---|---|---|---|---|---|
| | **Rs.** | **Rs.** | **EUR** | **EUR** | EUR |
| **A. Equity** | | | | | |
| 1. Share Capital | **2,111,034.37** | | **25,564.59** | | 25,564.59 |
| 2. Profit brought forward | **3,751,036.69** | | **45,424.99** | | 41,146.96 |
| 3. Net income for the year | **360,298.61** | | **4,363.21** | | 4,278.03 |
| | | **6,222,369.67** | | **75,352.79** | 70,989.58 |
| **B. Accruals** | | **1,394.71** | | **16.89** | 837.68 |
| Total | | **6,223,764.38** | | **75,369.68** | 71,827.26 |

**Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG**
**Profit and Loss Account for the period from January 1 to December 31 2013**

| | Rs. | EUR | Previous year EUR |
|---|---|---|---|
| 1. Other operating income | **12,386.48** | **150.00** | 150.00 |
| 2. Other operating expenses | **(12,675.49)** | **(153.50)** | (150.00) |
| 3. Investment income | **293,064.00** | **3,549.00** | 3,335.00 |
| 4. Other interest and similar income | **135,301.60** | **1,638.50** | 1,745.87 |
| 5. Results from ordinary business operations | **428,076.59** | **5,184.00** | 5,080.87 |
| 6. Taxes on income and profits | **(67,777.98)** | **(820.79)** | (802.84) |
| **7. Net income for the year** | **360,298.61** | **4,363.21** | 4,278.03 |

**NOTES OF BHARAT FORGE ALUMINIUMTECHNIK VERWALTUNGS GMBH, BRAND-ERBISDORF FOR THE FISCAL YEAR 2013**

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 provisions and accruals are shown at their prospective settlement amount.

The business activitiy in 2013 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 75,369.68 to the shareholder Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf.

Appointed as managing director of the company in 2013 was:

Dr.-Ing. Peter Hopp, Waldbockelheim,
Martin Kübelbäck, Meerbusch (since 01.07.2013)

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, 15th March 2014

| ............................................................ | ........................................................ |
|---|---|
| Dr.-Ing. Peter Hopp<br>Geschäftsführer | Martin Kübelbäck<br>Geschäftsführer |

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## Bharat Forge Daun GmbH, Daun

***Managing Director***
Mr. Martin von Werne

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

***Auditors***
WuP Truehand EmbH
Wirtschaftsprufungsgesellschaf
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, 2013. 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, May 22nd, 2014

W U P T r e u h a n d G m b H

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, 2013**

| | Rs. | | EUR | | *Previous Year* EUR |
|---|---|---|---|---|---|
| 1. Sales | | 907,439,503.68 | | 10,989,076.84 | 10,825,202.93 |
| 2. Decrease in finished good inventories and work-in-process | | 12,530,203.53 | | 151,740.55 | (42,914.53) |
| 3. Production for own plant and equipment capitalised | | 60,858.88 | | 737.00 | 2,975.00 |
| | | 920,030,566.09 | | 11,141,554.39 | 10,785,263.40 |
| 4. Other operating income | | 3,805,801.42 | | 46,088.19 | 124,594.15 |
| | | 923,836,367.51 | | 11,187,642.58 | 10,909,857.55 |
| 5. Cost of materials | | | | | |
| a) Cost of raw materials, consumables, supplies and purchased merchandise | 206,645,098.35 | | 2,502,468.60 | | 2,756,386.63 |
| b) Cost of purchased services | 85,682,910.67 | | 1,037,618.58 | | 966,117.93 |
| | | 292,328,009.02 | | 3,540,087.18 | 3,722,504.56 |
| | | 631,508,358.49 | | 7,647,555.40 | 7,187,352.99 |
| 6. Personnel expenses | | | | | |
| a) Wages and saleries | 320,625,668.38 | | 3,882,771.35 | | 3,648,850.26 |
| b) Social security contributions and pension expenses thereof Rs. 2,214,411.06 EUR 26,816.48 (2012: EUR 16,972.96) for pension expenses | 62,747,410.84 | | 759,870.07 | | 718,681.88 |
| | | 383,373,079.22 | | 4,642,641.42 | 4,367,532.14 |
| | | 248,135,279.27 | | 3,004,913.98 | 2,819,820.85 |
| 7. Depreciation and amortization on intangible fixed assets and tangible assets | | (42,917,827.86) | | (519,734.16) | (451,688.63) |
| 8. Other operating expenses | | (88,821,107.51) | | (1,075,622.09) | (1,053,211.71) |
| | | 116,396,343.90 | | 1,409,557.73 | 1,314,920.51 |
| 9. Income from other investments and long term loans of which EUR 0.00 (2012: EUR 0.00) relating to affiliated companies | | - | | - | 1,110.78 |
| 10. Other interest and similar income | - | | - | | - |
| 11. Depreciation on financial assets | 5,415.37 | | 65.58 | | 1,221.51 |
| 12. Interest and similar expenses thereof Rs. 1,640,134.44 EUR 19,862.00 (2012: EUR 21,853.00) from discounting of provisions | 4,729,809.34 | | 57,277.91 | | 21,863.40 |
| | | 4,735,224.71 | | 57,343.49 | 23,084.91 |
| **13. Results from ordinary business operations** | | **111,661,119.19** | | **1,352,214.24** | **1,292,946.38** |
| **14.** Extraordinary Income | - | | - | | 0.00 |
| **15.** Extraordinary Expenses | 448,555.55 | | 5,432.00 | | 5,432.00 |
| **16.** Extraordinary Result | | (448,555.55) | | (5,432.00) | (5,432.00) |
| 17. Taxes on income | 2,972,754.00 | | 36,000.00 | | 0.00 |
| 18. Other taxes | 1,246,393.18 | | 15,093.80 | | 15,140.80 |
| | | 4,219,147.18 | | 51,093.80 | 15,140.80 |
| **19. Income from profit & loss transfer agreement** | | 0.00 | | 0.00 | **0.00** |
| **20. Expenses out of profit & loss transfer agreement** | | **106,993,416.46** | | **(1,295,688.44)** | **(1,272,373.58)** |
| **21. Net Income for the year** | | **-** | | **-** | **-** |

**Bharat Forge Daun GmbH**

## Balance Sheet as at December 31st, 2013

| ASSETS | Rs. | Rs. | EUR | EUR | *As at 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Fixed Assets** | | | | | |
| **I. Intangible assets** | | | | | |
| Trademarks, patents, licenses, and similar rigths and licenses to such rights | | 1,148,556.54 | | 13,909.00 | 11,770.00 |
| **II. Tangible assets** | | | | | |
| 1. Land, land rights and buildings including buildings on third party land | 92,846,704.46 | | 1,124,372.00 | | 1,190,168.00 |
| 2. Technical equipment and machinery | 63,566,068.48 | | 769,784.00 | | 1,058,728.00 |
| 3. Other plant, factory and office equipment | 16,836,605.16 | | 203,891.00 | | 294,383.00 |
| 4. Prepayments on tangible assets and construction in progress | 5,653,566.22 | | 68,464.59 | | 2,678.80 |
| | | 178,902,944.32 | | 2,166,511.59 | 2,545,957.80 |
| | | 180,051,500.86 | | 2,180,420.59 | 2,557,727.80 |
| **B. Current assets** | | | | | |
| **I. Inventories** | | | | | |
| 1. Raw materials, supplies and operating materials | 53,975,013.62 | | 653,636.49 | | 713,557.25 |
| 2. Work in progress | 43,013,460.53 | | 520,892.27 | | 383,245.46 |
| 3. Finished goods and merchandise | 695,757.38 | | 8,425.61 | | 7,941.89 |
| | | 97,684,231.53 | | 1,182,954.37 | 1,104,744.60 |
| **II. Accounts receivable and other assets** | | | | | |
| 1. Trade receivables<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 2,013,568.50 | | 24,384.28 | | 80,413.73 |
| 2. Receivables from affiliated companies<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year<br>- of which Rs. 136,028,621.88 EUR 1,647,304.28 (12/31/2012: EUR 1,273,942.57) to shareholders of which Rs. 96,701,884.15 EUR 1,171,058.16 (12/31/2012: EUR 729,332.62) trade receivables | 136,398,593.47 | | 1,651,784.63 | | 1,324,896.02 |
| 3 Other assets<br>- of which EUR 0.00 (12/31/2012: EUR 0.00) due after one year | 3,279,385.32 | | 39,713.30 | | 45,376.86 |
| | | 141,691,547.29 | | 1,715,882.21 | 1,450,686.61 |
| | | 419,427,279.68 | | 5,079,257.17 | 5,113,159.01 |
| **III. Accounts receivable and other assets** | | 22,490.54 | | 272.36 | 0.00 |
| **C. Prepaid expenses** | | 655,476.57 | | 7,937.81 | 317.74 |
| | | **420,105,246.79** | | **5,087,467.34** | **5,113,476.75** |

**Bharat Forge Daun GmbH**

## Balance Sheet as at December 31st, 2013

| EQUITY AND LIABILITIES | Rs. | | EUR | | As at 31/12/2012 EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Share Capital** | | 4,128,825.00 | | 50,000.00 | 50,000.00 |
| **II. Capital reserves** | | 123,864,750.00 | | 1,500,000.00 | 1,500,000.00 |
| **III. Profit/loss brought forward** | | 168,229,893.70 | | 2,037,261.13 | 2,037,261.13 |
| **IV. Net income for the year** | | - | | - | - |
| | | 296,223,468.70 | | 3,587,261.13 | 3,587,261.13 |
| **B. Accruals** | | | | | |
| 1. Accruals for pensions and similar obligations | 25,801,935.77 | | 312,461.00 | | 267,015.00 |
| 2. Tax accruals | 4,980,992.18 | | 60,319.73 | | 28,500.00 |
| 3. Other accruals | 53,899,605.58 | | 652,723.30 | | 685,628.46 |
| | | 84,682,533.53 | | 1,025,504.03 | 981,143.46 |
| **C. Liabilities** | | | | | |
| 1. Liabilities to banks | - | | - | | 1,124.13 |
| - up to one year: Rs. 0.00 EUR 0.00 (12/31/2012: EUR 1,124.13) | | | | | |
| 2. Trade payables | 32,337,987.95 | | 391,612.48 | | 464,192.90 |
| - up to one year: Rs. 32,337,987.95 EUR 391,612.48 (12/31/2012: EUR 464,192.90) | | | | | |
| 3. Payables to affiliated companies | 3,471,646.53 | | 42,041.58 | | 41,645.30 |
| - up to one year: Rs. 3,471,646.53 EUR 42,041.58 (12/31/2012: EUR 41,645.30) | | | | | |
| 4. Other liabilities | 3,389,610.08 | | 41,048.12 | | 38,109.83 |
| - up to one year: Rs. 3,389,610.08 EUR 41,048.12 (12/31/2012: EUR 38,109.83) | | | | | |
| - of which Rs. 3,209,224.19 EUR 38,863.65 (12/31/2012: EUR 37,601.08) relating to taxes | | | | | |
| - of which EUR 0.00 (12/31/2012: EUR 0.00) relating to social security | | | | | |
| | | 39,199,244.56 | | 474,702.18 | 545,072.16 |
| | | **420,105,246.79** | | **5,087,467.34** | **5,113,476.75** |

## Notes for the fiscal Year 2013 of Bharat Forge Daun GmbH, Daun

### General notes relating to annual accounts

The annual accounts for the fiscal year 2013 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. 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.

**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 face value taking into account value adjustments in respect of apparent individual risks. The general credit risk is reflected in a lump-sum value allowance.

**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: | 4.90 % 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 60.

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 foreign 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, 2013

| | Historical acquisition or manufacturing costs | | | | | Depreciation | | | | Book value | Book value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1/1/2013 | Additions | Disposals | Reclassification | 12/31/2013 | 1/1/2013 | Additions | Disposals | 12/31/2013 | 12/31/2013 | 12/31/2012 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | | | | | | | | |
| Purchased concessions, industrial & similar rights and aasets and licenses in such rights & assets | 74,576.44 | 11,515.00 | - | - | 86,091.44 | 62,806.44 | 9,376.00 | - | 72,182.44 | 13,909.00 | 11,770.00 |
| | 74,576.44 | 11,515.00 | - | - | 86,091.44 | 62,806.44 | 9,376.00 | - | 72,182.44 | 13,909.00 | 11,770.00 |
| **II. Tangible assets** | | | | | | | | | | | |
| 1. Land, land rights and Buildings, including buildings on third party land | 1,683,562.75 | - | - | | 1,683,562.75 | 493,394.75 | 65,796.00 | - | 559,190.75 | 1,124,372.00 | 1,190,168.00 |
| 2. Technical equipment and machinery | 3,467,299.03 | 16,000.00 | - | 0.00 | 3,483,299.03 | 2,408,571.03 | 304,944.00 | - | 2,713,515.03 | 769,784.00 | 1,058,728.00 |
| 3. Other plant, factory and office equipment | 1,196,445.05 | 46,447.36 | 41,932.80 | 2,678.80 | 1,203,638.41 | 902,062.05 | 139,618.16 | 41,932.80 | 999,747.41 | 203,891.00 | 294,383.00 |
| 4. Payments in Advance & construction in progress | 2,678.80 | 68,464.59 | - | (2,678.80) | 68,464.59 | - | - | - | - | 68,464.59 | 2,678.80 |
| | 6,349,985.63 | 130,911.95 | 41,932.80 | - | 6,438,964.78 | 3,804,027.83 | 510,358.16 | 41,932.80 | 4,272,453.19 | 2,166,511.59 | 2,545,957.80 |
| **Total** | **6,424,562.07** | **142,426.95** | **41,932.80** | **-** | **6,525,056.22** | **3,866,834.27** | **519,734.16** | **41,932.80** | **4,344,635.63** | **2,180,420.59** | **2,557,727.80** |

Of the **other provisions** the main ones are in conjunction with personnel for the flexitime credits (TEUR 98), variable portion of monthly salaries and wages (TEUR 87), and anniversary bonuses (TEUR 69) as well as for postponed maintenance (TEUR 179).

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 30 and the repayment amounts of the liabilities to be offset amount to EUR 44.

**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 32 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 37, of which TEUR 14 will fall due within 2014.

**Notes relating to profit & loss account**

The geographical breakdown of the turnover is as follows:

| **Turnover distribution by region** | **2013** | **2012** |
|---|---|---|
| **Germany** | **10,777** | **10,136** |
| **Other countries** | **212** | **689** |
| Thereof in Europe | 212 | 688 |
| Thereof in rest of the world | 0 | 1 |
| **TOTAL** | **10,989** | **10,825** |

**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 | 59 |
| Salaried employees | 18 |
| Trainees | 13 |
| **Total number of employees** | **90** |

Directors of Bharat Forge Daun GmbH in 2013:

- Martin von Werne, Ennepetal

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

In 2013 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau
- Mr. Sanjeev Joglekar.

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 E-Bundesanzeiger.

Daun, 28.02.2014

Bharat Forge Daun GmbH

Martin von Werne

## BF New Technologies GmbH, Muhlheim a.M.

| ***Managing Director*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. Martin von Werne | Mittelstrasse 64 | Dr. Wehberg Und Partner HbR |
| Mr. Hartmut Hast | 58256 Ennepetal | Wirtschaftsprufungsgesellschaf |
| | Germany | 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, Daun, for the business year from January 1st to December 31st, 2013. 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 30th, 2014

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

**BF New Technologies GmbH, Muhlheim a.M.**
**Balance Sheet as at December 31, 2013**

**ASSETS**

| | Rs. | Rs. | EUR | EUR | As at 31/12/2012 EUR |
|---|---|---|---|---|---|
| **A. Fixed Assets** | | | | | |
| **I. Intangible assets** | | | | | |
| Concessions, trade mark rights and similar rights and values,licenses | **274,979.75** | | **3,330.00** | | - |
| **II. Tangible assets** | | | | | |
| Other plant, factory and office equipment | **1,149,382.30** | | **13,919.00** | | 43,354.00 |
| | | **1,424,362.05** | | **17,249.00** | 43,354.00 |
| **B. Current assets** | | | | | |
| **I. Accounts receivable and other assets** | | | | | |
| 1. Receivable from Affiliated companies | **147,251,631.15** | | **1,783,214.73** | | 1,742,434.25 |
| - of which EUR 0.00 (31/12/2012: EUR 0.00) due after one year | | | | | |
| 2. Other assets | **-** | | **-** | | 9,900.00 |
| - of which EUR 0.00 (31/12/2012: EUR 9,900.00) due after one year | | | | | |
| | **147,251,631.15** | | **1,783,214.73** | | 1,752,334.25 |
| **II. Cash on hands, bank balances** | **15,992.59** | | **193.67** | | 21.17 |
| | | **147,267,623.74** | | **1,783,408.40** | 1,752,355.42 |
| **Total** | | **148,691,985.79** | | **1,800,657.40** | 1,795,709.42 |

**EQUITY AND LIABILITIES**

| | Rs. | Rs. | EUR | EUR | As at 31/12/2012 EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Share Capital** | **2,064,412.50** | | **25,000.00** | | 25,000.00 |
| **II. Capital reserves** | **127,993,575.00** | | **1,550,000.00** | | 1,550,000.00 |
| **IV. Net income for the year** | **-** | | **-** | | - |
| | | **130,057,987.50** | | **1,575,000.00** | 1,575,000.00 |
| **B. Accruals** | | | | | |
| Other accruals | | **8,256,131.42** | | **99,981.61** | 85,722.43 |
| **B. Liabilities** | | | | | |
| 1. Trade Payables | **1,354,703.82** | | **16,405.44** | | 38,646.10 |
| -up to one year: Rs. 1,354,703.82 EUR 16,405.44 (31/12/2012: EUR 38,646.10) | | | | | |
| 2. Payables to affiliated companies | **8,649,888.38** | | **104,750.00** | | 88,750.00 |
| -up to one year: Rs. 8,649,888.38 EUR 104,750.00 (07/12/2012: EUR 88,750.00) | | | | | |
| 3. Other liabilities | **373,274.67** | | **4,520.35** | | 7,590.89 |
| -up to one year: Rs. 373,274.67 EUR 4,520.35 (07/12/2012: EUR 7,590.89) | | | | | |
| | | **10,377,866.87** | | **125,675.79** | 134,986.99 |
| **Total** | | **148,691,985.79** | | **1,800,657.40** | 1,795,709.42 |

**BF New Technologies GmbH, Muhlheim a.M.**
**Profit and Loss Account for the period from January 1 to December 31 2013**

| | | Rs. | Rs. | EUR | EUR | Previous Year EUR |
|---|---|---|---|---|---|---|
| 1. | Revenues | **495,459.00** | | **6,000.00** | | 0.00 |
| 2. | Other operating income | **3,510,703.56** | | **42,514.56** | | 36,344.39 |
| | | | **4,006,162.56** | | **48,514.56** | 36,344.39 |
| 3. | Cost of materials | | | | | |
| | a) Cost of raw materials, consumables, supplies and purchased merchandise | **(2,059,317.53)** | | **(24,938.30)** | | (84,919.47) |
| | b) Cost of purchased services | **(12,867,029.77)** | | **(155,819.51)** | | (126,676.75) |
| | | | **(14,926,347.30)** | | **(180,757.81)** | (211,596.22) |
| 4. | Personnel expenses | | | | | |
| | a) Wages and salaries | **(22,132,280.70)** | | **(268,021.54)** | | (311,169.28) |
| | b) Social security contributions and pension expenses thereof EUR 0.00 (2012: EUR 0.00) | **(2,642,100.35)** | | **(31,995.79)** | | (37,317.01) |
| | | | **(24,774,381.05)** | | **(300,017.33)** | (348,486.29) |
| 5. | Depreciation and amortization on intangible fixed assets and tangible assets | | **(1,535,097.14)** | | **(18,590.00)** | (657,158.00) |
| 6. | Other operating expenses | | **(30,765,767.73)** | | **(372,572.92)** | (591,009.62) |
| 7. | Other interest (receivables) and similar income | | **75,314.72** | | **912.06** | 0.00 |
| **8.** | **Results from ordinary business operations** | | **(67,920,115.94)** | | **(822,511.44)** | **(1,771,905.74)** |
| | | | | | | - |
| 9. | Other taxes | | **(12,634.19)** | | **(153.00)** | (890.00) |
| 10. | Income from transfer of losses | | **67,932,750.13** | | **822,664.44** | 1,772,795.74 |
| **11.** | **Net income for the year** | | **-** | | **-** | - |

**<u>Appendix for the financial year 2013 of BF New Technologies GmbH, Daun</u>**

**General information about the statement of accounts**

BF New Technologies GmbH, Daun, is a micro-enterprise according to § 267a Section 1 of the German Commercial Code (HGB).

The statement of accounts for the financial year 2013 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 licences and patents for the intended research and development projects related to automotive areas. The contents and the development 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, 2013**

| | Historical acquisition or manufacturing costs | | | | | Historical acquisition or manufacturing costs | | | | | Book value | Book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1/1/2013 | Additions | Disposals | Transfers | 12/31/2013 | 1/1/2013 | Additions | Disposals | Transfers | 12/31/2013 | 12/31/2013 | 12/31/2012 |
| | 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 | 4,996.00 | - | - | 3,166,974.47 | 3,161,978.47 | 1,666.00 | - | - | 3,163,644.47 | 3,330.00 | 0.00 |
| **II. Tangible assets** | | | | | | | | | | | | |
| Other plant, factory and office equipment | 200,445.13 | - | 85,583.64 | - | 114,861.49 | 157,091.13 | 16,924.00 | 73,072.64 | - | 100,942.49 | 13,919.00 | 43,354.00 |
| **Total** | 3,362,423.60 | 4,996.00 | 85,583.64 | - | 3,281,835.96 | 3,319,069.60 | 18,590.00 | 73,072.64 | - | 3,264,586.96 | 17,249.00 | 43,354.00 |

The **accounts receivables from affiliated companies** are related to current accounts with the shareholder CDP Bharat Forge GmbH comprising results from transfer of losses and current accounts with Bharat Forge Daun GmbH.

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 2013 CDP Bharat Forge GmbH has taken over a loss amounting to kEUR 823.

**Other information**

Managing directors during the financial year 2013 have been

Martin von Werne, engineer, Ennepetal,

Hartmut Hast, businessman, Eppertshausen (until 7th, May, 2013).

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.

Daun, 12th March, 2014

BF New Technologies GmbH

Martin von Werne

Managing Director

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## Bharat Forge Beteiligungs GmbH, Ennepetal

| ***Managing Director*** | ***Registered Office*** | ***Auditors*** |
| --- | --- | --- |
| Dr. Arndt Laβmann | Mittelstrasse 64 | Dr. Wehberg Und Partner GbR |
| Mr. Michael P. Kasperski | 58256 Ennepetal | Wirtschaftsprufungsgesellschaft |
| | Germany | 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, 2013. 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 30th, 2014

| | |
|---|---|
| (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 2013**

| | Rs. | EUR | *Previous Year* EUR |
|---|---|---|---|
| 1. Other operating income | 131,465.92 | 1,592.05 | 13,858.90 |
| 2. Depreciation on intangible assets | - | - | - |
| 3. Other operating expenses | (3,056,700.44) | (37,016.59) | (15,617.60) |
| | (2,925,234.52) | (35,424.54) | (1,758.70) |
| 4. Other interest and similar income<br>- thereof Rs. 137,484.99 EUR 1,902.63 (2011: EUR 0.00)<br>to affiliated companies | - | - | 1,902.63 |
| 5. Depreciation on financial fixed assets | (386,265,924.77) | (4,677,673.73) | (8,495,443.10) |
| 6. Interest and similar expenses<br>- thereof EUR 0.00 (2011: EUR 0.00)<br>to affiliated companies | (1,651,530.00) | (20,000.00) | - |
| **6. Results from ordinary business operations** | **(390,842,689.29)** | **(4,733,098.27)** | **(8,495,299.17)** |
| 9. Taxes on Income | (11,395,557.00) | (138,000.00) | - |
| 10. Other taxes | (825,765.00) | (10,000.00) | - |
| **11. Net income (loss) for the year** | **(403,064,011.29)** | **(4,881,098.27)** | **(8,495,299.17)** |

**Bharat Forge Beteiligungs GmbH**

**Balance Sheet as at December 31st, 2013**

| ASSETS | Rs. | EUR | *As at 31/12/2012* EUR |
|---|---|---|---|
| **A. Assets** | | | |
| **I. Intangible assets** | | | |
| Software | 82.58 | 1.00 | 1.00 |
| **Financial assets** | | | |
| 1. Shares in affiliated companies | 3,592,599,421.26 | 43,506,317.43 | 48,183,990.43 |
| 2. Shares in associated companies | 12,257,366.64 | 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 (12/31/2012: EUR 0.00) is due after one year | 65,465,408.08 | 792,784.97 | 525,340.72 |
| 2. Other assets of which EUR 0.00 (12/31/2012: EUR 0.00) is due after one year | 392,238.37 | 4,750.00 | 65,676.75 |
| **II. Cash on hands, bank balances** | - | - | - |
| | **3,670,714,516.93** | **44,452,289.90** | **48,923,445.40** |

**Balance Sheet as at December 31st, 2013**

| 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 31/12/2012* EUR |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| **I. Share Capital** | 2,064,412.50 | | 25,000.00 | | 25,000.00 |
| **II. Capital reserves** | 4,768,503,230.49 | | 57,746,492.41 | | 57,746,492.41 |
| **III. Loss carried forward** | (745,299,816.78) | | (9,025,568.01) | | (530,268.84) |
| **IV. Net loss (income) for the year** | (403,064,011.29) | | (4,881,098.27) | | (8,495,299.17) |
| | | 3,622,203,814.92 | | 43,864,826.13 | 48,745,924.40 |
| **B. Accruals** | | | | | |
| 1. Tax provisions | 12,221,322.00 | | 148,000.00 | | 0.00 |
| 2. Other provisions | 2,317,104.85 | | 28,060.10 | | 10,000.00 |
| | | 14,538,426.85 | | 176,060.10 | 10,000.00 |
| **C. Liabilities** | | | | | |
| 1. Payables to affiliated companies<br>up to one year: Rs. 20,139,168.88 EUR 243,884.99<br>(12/31/2012: EUR 2.32) | 20,139,168.88 | | 243,884.99 | | 2.32 |
| 2. Other liabilities<br>- up to one year: Rs. 13,833,106.28 EUR 167,518.68<br>(12/31/2012: EUR 167,518.32)<br>- of which EUR 0.00<br>(12/31/2012: EUR 0.00) taxes<br>- of which EUR 0.00 (12/31/2012: EUR 0.00)<br>relating to social security | 13,833,106.28 | | 167,518.68 | | 167,518.68 |
| | | 33,972,275.16 | | 411,403.67 | 167,521.00 |
| | | **3,670,714,516.93** | | **44,452,289.90** | **48,923,445.40** |

## Appendix for the financial year 2013 of Bharat Forge Beteiligungs GmbH, Ennepetal

### General information about the statement of accounts

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

The statement of accounts for the financial year 2013 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 or fair value, if lower.

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. An impairment of kEUR 4.678 has put on shares in Bharat Forge Hong Kong Ltd.

The **accounts receivable against affiliated companies** amounted to kEUR 0 (previous year: kEUR 411) to shareholder.

### Other information

### Shares in affiliated companies

The company held shares of the following companies:

| | Share Corpus/ fixed capital | Equity December 31, 2013 | Profit 2013 |
|---|---|---|---|
| Bharat Forge Kilsta AB Karlskoga/Schweden | 100% | 16,549 kSEK | - 13,594 kSEK |
| Bharat Forge Hong Kong Ltd. | | | |
| Bharat Forge Hong Kong Ltd. Hong Kong/China | 100% | 26,394 kUSD | - 5,220 kUSD |
| Tecnica UK Limited Great Britain *) | 33% | 50 kGBP | + 77 kGBP |
| Bharat Forge International Ltd. Great Britain **) | 100% | 509 kUSD | +936 kUSD |

*) 2012 **) 31th March, 2013

**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, 12th March, 2014

Bharat Forge Beteiligungs GmbH

Dr Arndt Laßmann
Managing Director

Michael Kasperski
Managing Director

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## Bharat Forge Kilsta AB

| Chairman | Registered Office | Auditors |
|---|---|---|
| Mr. B. N. Kalyani | Box 428 691 27 Karlskoga<br>Sweden | KPMG Bohlnis AB<br>Kungsvagen 35, 691 35 Karlsloga<br>Sweden |

***Managing Director***
Mr. Michael Sjöberg

***Director***
Mr. A. B. Kalyani
Mr. S. E. Tandale
Mr. S. G. Joglekar
Dr. Arndt Laβmann
Mr. Kari Tahitinen
Mr. Ari Tiuraniemi
Mr. R. Stehr

**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 2013.

*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 opinions.

*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 2013 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.

**Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts, we have also audited 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 2013.

*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 opinions.

*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 be discharged from liability for the financial year.

Karlskoga 29 April 2014

KPMG AB

Magnus Gustafsson
Authorized Public
Accountant

## Administration Report

### General information on the Company and the business

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

To prepare the change of forging press at the company's 16000 tonne press in June and July, the company started to build up a stock of forgings already in autumn 2012.

In order to improve profitability and increase flexibility, the company and the unions agreed on a system with flexible working hours. The system was mainly applied during first half year.

During the 1st quarter, demand from Bharat Forge Kilsta AB's customers increased. The company then found that their capacity would be insufficient in June and July. To ensure delivery certainty to customers, the company received forgings supplied from the parent company.

On April 1, Michael Sjöberg started as the new CEO of the company.

The change of forging press in June and July went according to plan, both temporally and financially. At the start of the press arose, however, a number of other technical issues that were not directly related to bed replacement. Therefore, the production did not come up to normal levels until later in the fall.

In the beginning of August, the company implemented a cost reduction and efficiency program. The program is expected to be completed in June 2014 and is implemented with the help of external consultants. As a result of the program, a number of white collars where notified in December that their employments would cease.

Final judgment concerning the fatal accident, which occurred in April 2011, was announced during the year. Company penalty fine was defined to 1 MSEK. The amount was paid in 2013, but was reserved in the financial statements of 2012.

The liquidation of the subsidiary Bharat Forge Scottish Stampings Ltd, started in 2012, is expected to be completed in 2014.

The company is since 2005-09-21, a wholly owned subsidiary of Bharat Forge Beteiligungs GmbH (Germany), which is an indirectly owned subsidiary of Bharat Forge Limited (India).

**Significant events after the end of the financial year**

The shareholder loan of 26,835,552 SEK was converted on February 28th 2014 into an unconditional shareholder's contribution.

**Comparative figures covering several years**

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Net sales, TSEK | 790 028 | 806 014 | 946 677 | 793 009 | 397 821 |
| Profit/loss after financial items, TSEK | -13 594 | -21 772 | -61 288 | -45 456 | -128 148 |
| Balance sheet total, TSEK | 439 621 | 434 356 | 547 046 | 496 755 | 496 271 |
| Number of employees, | 328 | 337 | 351 | 291 | 272 |
| Equity/assets ratio, % | 3,8 | 6,9 | 10,1 | 21,1 | 28,6 |
| Return on total assets, % | 0,7 | 0,5 | Neg | Neg | Neg |
| Return on equity, % | Neg | Neg | Neg | Neg | Neg |

***Equity/assets ratio***
Equity and untaxed reserves (less deferred tax) as a percentage of 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 2014**

Shipment volumes in the spring seem to be at a level lower than budgeted. The outlook thereafter is uncertain.

**Research and development**

The research and development activities of the Company amounted 0,24 % (0,23 %) of the total operating expenses during the financial year.

**Proposed treatment of losses**

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

| | |
|---|---|
| Unappropriated profit brought forward | 6 142 525,37 |
| Net loss for the year | -13 594 373,68 |
| | -7 451 848,31 |

The Board of Directors propose that the un-appropriated

**Proposed treatment of losses**

earnings be distributed as follows

| | |
|---|---|
| Retained earnings carried forward | -7 451 848,31 |

**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**

**Balance Sheet as at December 31, 2013**

| | Note | 31/12/2013 | | 31/12/2012 |
|---|---|---|---|---|
| | | Rs.'000 | SEK'000 | SEK'000 |
| **Assets** | | | | |
| **Intangible Fixed assets** | | | | |
| Other intangible Fixed assets | 7 | 83,123 | 8,655 | 17,310 |
| **Fixed assets** | | | | |
| Land and buildings | 6 | 151,004 | 15,723 | 16,288 |
| Plant and machinery | 9 | 1,191,741 | 124,088 | 101,371 |
| Equipment, tools, fixtures & fittings | 8 | 104,194 | 10,849 | 11,331 |
| Construction in progress | 10 | 28,197 | 2,936 | 16,582 |
| | | 1,475,136 | 153,596 | 145,572 |
| **Financial assets** | | | | |
| Participation in Subsidiaries | 16 | - | - | - |
| Deferred tax recoverables | 17 | 158,466 | 16,500 | 16,500 |
| | | 158,466 | 16,500 | 16,500 |
| **Total fixed assets** | | **1,716,725** | **178,751** | **179,382** |
| **Current assets** | | | | |
| **Inventories** | | | | |
| Raw materials and consumables | | 428,627 | 44,630 | 62,487 |
| Work in progress | | 752,858 | 78,390 | 55,284 |
| Finished goods and goods for resale | | 99,469 | 10,357 | 16,067 |
| | | 1,280,954 | 133,377 | 133,838 |
| **Current receivables** | | | | |
| Accounts receivables - Trade | | 729,952 | 76,005 | 73,643 |
| Other receivables | | 4,504 | 469 | 491 |
| Income tax receivable | | 19,227 | 2,002 | 944 |
| Prepaid expenses and accrued income | | 58,728 | 6,115 | 5,790 |
| | | 812,411 | 84,591 | 80,868 |
| Cash and bank balances | | 413,980 | 43,105 | 40,268 |
| **Total current assets** | | 2,507,345 | 261,073 | 254,974 |
| **Total assets** | | **4,224,070** | **439,824** | **434,356** |

**Bharat Forge Kilsta AB**

**Balance Sheet as at December 31, 2013**

| | Note | 31/12/2013 | | 31/12/2012 |
|---|---|---|---|---|
| | | Rs.'000 | SEK'000 | SEK'000 |
| **Equity and liabilities** | | | | |
| **Equity** | 18 | | | |
| **Restricted equity** | | | | |
| Share capital (200 000 shares) | | 192,080 | 20,000 | 20,000 |
| Statutory reserve | | 38,416 | 4,000 | 4,000 |
| | | 230,496 | 24,000 | 24,000 |
| **Unrestricted equity** | | | | |
| Profit brought forward | | 58,988 | 6,142 | 31,414 |
| Net income of the year | | (130,556) | (13,594) | (25,272) |
| | | (71,568) | (7,452) | 6,142 |
| **Total equity** | | 158,928 | 16,548 | 30,142 |
| **Provisions** | | | | |
| Provisions for pensions | | 104,290 | 10,859 | 11,519 |
| Guarantee reserve | | 19,208 | 2,000 | 2,300 |
| **Total provisions** | | 123,498 | 12,859 | 13,819 |
| **Long-term liabilities** | 19,20 | | | |
| Liabilities to Group companies | | 254,372 | 26,486 | 26,316 |
| Liabilities to Credit Institutions | | 1,186,661 | 123,559 | 137,359 |
| **Total long-term liabilities** | | 1,441,033 | 150,045 | 163,675 |
| **Current liabilities** | | | | |
| Liabilities to credit institutions | | 169,607 | 17,660 | 17,160 |
| Accounts payable - trade | | 1,355,124 | 141,100 | 129,610 |
| Liabilities to group companies | | 507,312 | 52,823 | 28,280 |
| Other liabilities | | 57,105 | 5,946 | 5,748 |
| Accrued expenses and deferred income | 21 | 411,463 | 42,843 | 45,922 |
| **Total current liabilities** | | 2,500,611 | 260,372 | 226,720 |
| **Total equity and liabilities** | | **4,224,070** | **439,824** | **434,356** |

| | Note | 31/12/2013 | | 31/12/2012 |
|---|---|---|---|---|
| | | Rs.'000 | SEK'000 | SEK'000 |
| **Assets pledged** | 20 | 1,999,553 | 208,200 | 208,200 |
| **Contingent liabilities** | 22 | 2,084 | 217 | 230 |

**Bharat Forge Kilsta AB**

**Income statement for the period from January 1 to December 31, 2013**

| | Note | 2013 | | Previous Year |
|---|---|---|---|---|
| | | Rs.'000 | SEK'000 | SEK'000 |
| | 1 | | | |
| **Operating income etc.** | | | | |
| Net sales | 2 | 7,587,429 | 790,028 | 806,014 |
| Change in inventories of work in progress, finished goods | | (50,171) | (5,224) | (27,875) |
| Other operating income | 3 | 5,513 | 574 | 562 |
| **Operating income etc.** | | 7,542,771 | 785,378 | 778,701 |
| | | | | |
| **Operating expenses** | | | | |
| Raw materials and consumables | | (3,916,655) | (407,815) | (413,623) |
| Other external costs | 4 | (1,388,297) | (144,554) | (141,691) |
| Personnel costs | 5 | (1,765,820) | (183,863) | (187,828) |
| Depreciation of tangible assets | 6, 7, 8, 9, 10 | (438,077) | (45,614) | (43,380) |
| Other operating expenses | 11 | (52,640) | (5,481) | (1,563) |
| **Operating expenses** | | (7,561,489) | (787,327) | (788,085) |
| | | | | |
| **Operating income** | | **(18,718)** | **(1,949)** | **(9,384)** |
| | | | | |
| **Result from financial items** | | | | |
| Interest items and similar items | 12 | 48,510 | 5,051 | 11,456 |
| Depreciation of financial fixed assets | 13 | - | - | (13,296) |
| Interest expenses and similar items | 14 | (160,348) | (16,696) | (10,548) |
| **Loss from financial items** | | (111,838) | (11,645) | (12,388) |
| | | | | |
| **(Loss)/Income after financial items** | | (130,556) | (13,594) | (21,772) |
| | | | | |
| Income taxes | 15 | - | - | (3,500) |
| **Net (Loss)/Income for the year** | | **(130,556)** | **(13,594)** | **(25,272)** |

**Bharat Forge Kilsta AB**
**Cash flow statements**

| | 2013 | | 2012 |
|---|---|---|---|
| | Rs.'000 | SEK'000 | SEK'000 |
| **Operating activities** | | | |
| Income after financial items | (130,556) | (13,594) | (21,772) |
| Adjustments for items not requiring an outflow of cash: | | | |
| Exchange Rate difference | 53,177 | 5,537 | (7,430) |
| Depreciation of Financial assets | - | - | 13,296 |
| Depreciations | 438,077 | 45,614 | 43,380 |
| Change in Provisions | (9,220) | (960) | (998) |
| | 351,478 | 36,597 | 26,476 |
| Income tax paid | 10,161 | 1,058 | (815) |
| **Cash flow from operating activities before changes in working capital** | **341,317** | **35,539** | **27,291** |
| Increase(-) /decrease (+) in inventories | 4,427 | 461 | 38,390 |
| Increase(-) /decrease (+) in current receivables | (23,645) | (2,462) | 48,104 |
| Increase(+) /decrease (-) in current liabilities | 305,177 | 31,776 | (81,186) |
| **Cash flow from operating activities** | **627,276** | **65,314** | **32,599** |
| **Investing activities** | | | |
| Acquisition of tangible assets | (432,008) | (44,982) | (27,070) |
| Shareholders' contribution given | - | - | (13,296) |
| **Cash flow from investing activities** | (432,008) | (44,982) | (40,366) |
| **Financing activities** | | | |
| Loans taken | - | - | 35,362 |
| Proceeds/repayment of borrowings | (168,022) | (17,495) | (31,256) |
| **Cash flow from financing activities** | (168,022) | (17,495) | 4,106 |
| **Net cash flow for the year** | 27,246 | 2,837 | (3,661) |
| **Cash and cash equivalents at beginning of year** | 386,734 | 40,268 | 43,929 |
| **Cash and cash equivalents at end of year** | **413,980** | **43,105** | **40,268** |

## 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 2012 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 Maharashtra, Pune, India

Out of total purchases and sales measured in SEK 5,6% (0,14%) of the purchases and 0% (0%) 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. The book value of the shares at the end of 2011 are 0 TSEK. During the financial year, a loan to subsidiary Bharat Forge Scottish Stampings Ltd of 13 296 TSEK was converted into a shareholder’s contribution, which during year-end closing was written down to 0 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.

**Revenues**

Sale of goods are recognized upon delivery of products to the customer in accordance with the terms of sale. Sales are reported net of VAT and discounts.

**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 | 1-30 |
| Equipment, tools, fixtures and fittings | 3-33 |

**Note 2 Net sales classified according to geographical market**

| | 2013 | 2012 |
|---|---|---|
| Net sales classified according to operating area as follows: | | |
| Chassis | 408 244 | 502 481 |
| Engines | 361 625 | 280 423 |
| Other | 20 159 | 23 110 |
| Total | 790 028 | 806 014 |

| | | |
|---|---|---|
| Net sales classified according to geographic market as follows: | | |
| Nordic countries | 403 596 | 457 244 |
| Europe, excluding the Nordic countries | 366 422 | 333 212 |
| North America | 9 376 | 10 026 |
| Other markets | 10 634 | 5 532 |
| Total | 790 028 | 806 014 |

**Note 3 Other operating income**

| | 2013 | 2012 |
|---|---|---|
| Included in other income, revenues from: | | |
| Services/rent | 79 | 177 |
| Other | 495 | 385 |
| Total | 574 | 562 |

## Note 4 Remuneration to auditors

| | 2013 | 2012 |
|---|---|---|
| K P M G | | |
| Audit engagement | 147 | 188 |
| Audit activities in addition to the audit engagement | 30 | 46 |
| Tax advice | 3 | - |
| Other services | - | 20 |
| Total | 180 | 254 |

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

| | 2013 | 2012 |
|---|---|---|
| **Average number of employees, with women and males as allocation basis amounts to:** | | |
| Women | 23 | 25 |
| Men | 305 | 312 |
| Total for the Company | 328 | 337 |
| | | |
| **Wages and compensations amounts to** | | |
| Board of Directors and Managing Director | 2 024 | 151 |
| Other employees | 125 983 | 129 676 |
| | 128 007 | 129 827 |
| **Statutory and contractual social security contributions** | 40 994 | 41 331 |
| Pension costs for Board of Directors and Managing Director | 302 | - |
| Pension costs | 12 348 | 14 053 |
| **Total salaries, remuneration, social security contributions and pension costs** | 181 651 | 185 211 |

The Managing Director has been employed from 2013-04-01.
(The Managing Director has been hired in 2012 and labor cost have been invoiced from another group company.)

**Directors and senior executives**

Number of board of directors on the closing date

| | 2013 | 2012 |
|---|---|---|
| Men | 8 | 8 |
| Total for the Company | 8 | 8 |

Number of Managing Directors and senior executives

| | 2013 | 2012 |
|---|---|---|
| Women | 2 | 2 |
| Men | 6 | 10 |
| Total for the Company | 16 | 20 |

**Note 6 Land and buildings**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening acquisition cost | 41 282 | 39 985 |
| Changes during the year | | |
| -Redistribution from construction in progress | 557 | 556 |
| -Purchases | 617 | 741 |
| -Disposals | -446 | - |
| -Closing accumulated acquisition cost | 42 010 | 41 282 |
| | | |
| Opening depreciation | -24 994 | -23 078 |
| Changes during the year | | |
| -Depreciation | -1 739 | -1 916 |
| -Depreciations of disposals | 446 | - |
| Closing accumulated depreciation | -26 287 | -24 994 |
| Closing residual value according to plan | 15 723 | 16 288 |

**Note 7 Intangible fixed assets**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening acquisition cost | 43 275 | 43 275 |
| Closing accumulated acquisition cost | 43 275 | 43 275 |
| Opening depreciation | -25 965 | -17 310 |
| -Depreciation | -8 655 | -8 655 |
| Closing accumulated depreciation | -34 620 | -25 965 |
| Closing residual value according to plan | 8 655 | 17 310 |

**Note 8 Equipment, tools, fixtures and fittings**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening acquisition cost | 80 436 | 81 888 |
| Changes during the year | | |
| -Redistribution from construction in progress | 242 | 1 074 |
| -Purchases | 1 034 | 114 |
| -Disposals | - | -2 640 |
| -Disposals | -23 368 | - |
| Closing accumulated acquisition cost | 58 344 | 80 436 |

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening depreciation | -69 105 | -69 826 |
| Changes during the year | | |
| -Reclassification | 52 | -52 |
| -Depreciation | -1 810 | -1 867 |
| -Depreciation of disposals | - | 2 640 |
| -Depreciation of disposals | 23 368 | - |
| Closing accumulated depreciation | -47 495 | -69 105 |
| Closing residual value according to plan | 10 849 | 11 331 |

**Note 9 Plant and machinery**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening acquisition cost | 559 847 | 534 988 |
| Changes during the year | | |
| -Redistribution from construction in progress | 52 272 | 2 717 |
| -Purchases | 3 907 | 22 142 |
| -Disposals | -270 238 | - |
| Closing accumulated acquisition cost | 345 788 | 559 847 |
| | | |
| Opening depreciation | -458 476 | -427 587 |
| Changes during the year | | |
| -Depreciation | -33 410 | -30 941 |
| -Depreciation of disposals | 270 238 | - |
| -Reclassification | -52 | 52 |
| Closing accumulated depreciation | -221 700 | -458 476 |
| | | |
| Closing residual value according to plan | 124 088 | 101 371 |

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**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Opening accrued expenses | 16 583 | 16 856 |
| Expenses accrued during the year | 39 424 | 4 073 |
| Fixed assets under construction completed this year | -53 071 | -4 347 |
| Closing expenses accrued | 2 936 | 16 582 |

**Note 11 Other operating expenses**

| | 2013 | 2012 |
|---|---|---|
| Realized/unrealized exchange loss Realized/unrealized exchange loss | 5 445 | 1 563 |
| Loss disposals of equipment, tools, fixtures and fittings | 36 | - |
| Total | 5 481 | 1 563 |

**Note 12 Other interest income and similar profit/loss items**

| | 2013 | 2012 |
|---|---|---|
| Other interest income | 76 | 226 |
| Exchange profit on loans and cash | 4 975 | 11 230 |
| Total | 5 051 | 11 456 |

**Note 13 Depreciation of financial fixed assets**

| | 2013 | 2012 |
|---|---|---|
| Write-down of shares in subsidiary | - | 13 296 |
| Total | 0 | 13 296 |

**Note 14 Interest expense and similar profit/loss items**

| | 2013 | 2012 |
|---|---|---|
| Interest expenses to group company | 925 | 739 |
| Interest expenses pensions | 363 | 408 |
| Unreazlied exchange loss loans | 6 112 | - |
| Other interest expenses | 9 296 | 9 401 |
| Total | 16 696 | 10 548 |

**Note 15 Tax on profit for the year**

| | 2013 | 2012 |
|---|---|---|
| Deferred tax | - | -3 500 |
| Total | 0 | -3 500 |

**Note 16 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 %. Booked value at the end of 2013 is 0 (0).

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Subsidiary´s reported results | -2 | -4651 |
| Subsidiary´s equity | 652 | 664 |

**Note 17 Deferred tax**

No change in 2013. (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 20 000. Closed deferred tax is calculated at 22%, then the income tax rate was reduced from 26,3% to 22% from 2013.)

**Note 18 Change in equity**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| **Non-restricted equity** | | |
| Amount at beginning of year | 6 143 | 31 414 |
| Net profit/loss for the year | -13 594 | -25 272 |
| Amount at year-end | -7 451 | 6 142 |

**Note 19 Long-term liabilities**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Long-term liabilities, due after one year but within five years after closing day: | | |
| Liabilities to group companies | 26 486 | 26 316 |
| Liabilities to credit institutions | 123 559 | 137 359 |
| Total | 150 045 | 163 675 |

**Note 20 Pledged assets**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| 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 21 Accrued expenses and deferred income**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Accrued salaries | 3 363 | 1 983 |
| Accrued holiday pay | 14 513 | 13 859 |
| Accured social security costs & pensions | 12 296 | 11 257 |
| Accured special employer´s contribution, tax on returns from pension funds and property tax | 3 402 | 5 147 |
| Accured customer provisions | 1 102 | 904 |
| Accured financial expenses | 1 519 | 1 970 |
| Ongoing claims | 666 | 3 129 |
| Other items | 5 982 | 7 673 |
| Total | 42 843 | 45 922 |

**Note 22 Contingent liabilities**

| | 2013-12-31 | 2012-12-31 |
|---|---|---|
| Contingent liability to FPG | 217 | 230 |
| Total contingent liabilities | 217 | 230 |

**Note 23 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 2014-04-24

Michael Sjöberg
Verkställande direktör

Babasaheb Kalyani
Ordförande

Amit Kalyani

Subodh Tandale

Sanjeev Joglekar

Kari Tähtinen

Arndt Lassmann

Roland Stehr
Arbetstagarrepresentant Unionen

Ari Tiuraniemi
Arbetstagarrepresentant IF Metall

Our audit report was issued on 2014-04-29.

KPMG AB

Magnus Gustafsson
Authorized public accountant

## 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 |
| Mr. S. G. Joglekar | Hong Kong | Causeway Bay |
| | | Hong Kong |

Independent Auditor's Report

**TO THE SHAREHOLDERS OF**
**BHARAT FORGE HONG KONG LIMITED**
巴勒特鍛造香港有限公司
(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 28, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other 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 the 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 the 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 2013 and of its 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.

**ZHONGLEI (HK) CPA Company Limited**
*Certified Public Accountants (Practising)*
**Chan Mei Mei**
Practising Certificate Number: P05256

Hong Kong
7 May 2014

**Directors' Report**
**For the year ended 31 December 2013**

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 2013.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2013 are set out in the statement of profit or loss and other comprehensive income on page 5.

The directors do not recommend the payment of a dividend for the year.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in Note 14 to the financial statements.

DIRECTORS

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

Mr. Babasaheb Neelkanth Kalyani
Mr. Amit Babasaheb Kalyani
Mr. Gopal Krishan Agarwal
Mr. Sanjeev Gajanan Joglekar

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 holding companies, fellow subsidiaries or its subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies, fellow subsidiaries or its subsidiary, 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.

AUDITOR

Subsequent to the end of the reporting date, SHINEWING (HK) CPA Limited resigned and ZHONGLEI (HK) CPA Company Limited was appointed as auditor of the Company during the year ended 31 December 2014.

A resolution for the reappointment of ZHONGLEI (HK) CPA Company Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

______________________
**DIRECTOR**

Hong Kong
7 May 2014

**Bharat Forge Hong Kong Limited**

**Statement of Comprehensive Income**
**for the year ended 31st December,2013**

| | Notes | 2013 Rs. | 2013 USD | 2012 USD |
|---|---|---|---|---|
| Turnover | | - | - | - |
| Bank interest income | **7** | 24,280 | 404 | 44 |
| Provision of impairment on investment in a subsidiary | **10** | - | - | (8,600,000) |
| Loss on disposal of subsidiary | **10** | (201,006,185) | (3,344,540) | - |
| Administrative Expenses | | (112,555,146) | (1,872,804) | (201,252) |
| Loss before Tax | | (313,537,051) | (5,216,940) | (8,801,208) |
| Income Tax Expense | **8** | - | - | - |
| Loss for the year | **9** | **(313,537,051)** | **(5,216,940)** | **(8,801,208)** |
| Other Comprehensive Income: | | | | |
| Exchange differences on translating foreign operations | | **(192,440)** | (3,202) | 3,120 |
| **Total comprehensive expenses for the year** | | **(313,729,491)** | **(5,220,142)** | **(8,798,088)** |

**Bharat Forge Hong Kong Limited**

**Statement of Financial Position as at 31st December,2013**

| | Notes | 2013 | | 2012 |
|---|---|---|---|---|
| | | Rs. | USD | USD |
| **Non Current Assets** | | | | |
| Investment in Subsidiary | **10** | - | - | 31,552,640 |
| **Current Assets** | | | | |
| Other receivables | **11** | 1,697,593,494 | 28,246,242 | 34,441 |
| Bank balance | **12** | 9,310,962 | 154,925 | 64,820 |
| | | 1,706,904,456 | 28,401,167 | 99,261 |
| **Current Liability** | | | | |
| Other Payable | | 66,554,999 | 1,107,408 | 38,000 |
| Amount due to intermediate holding company | **13** | 18,029,940 | 300,000 | - |
| Amount due to immediate holding company | **13** | 36,059,880 | 600,000 | - |
| **Net current assets** | | 1,586,259,637 | 26,393,759 | 61,261 |
| **Total Net Assets** | | **1,586,259,637** | **26,393,759** | **31,613,901** |
| **Capital & Reserve** | | | | |
| Share Capital | **14** | 2,611,486,860 | 43,452,505 | 43,452,505 |
| Accumulated Loss | | (1,025,227,223) | (17,058,746) | (11,838,604) |
| | | **1,586,259,637** | **26,393,759** | **31,613,901** |

The Financial Statements were approved and authorised for issue by the board of directors on 7 May 2014 and are signed on its behalf by

**G. K. Agarwal** **S. G. Joglekar**

**Bharat Forge Hong Kong Limited**

**Statement of Changes in Equity**
**for the year ended 31st December 2013**

| | Share Capital | | Share Capital | | Accumulated Loss | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Rs.** | **USD** | **Rs.** | **USD** | **Rs.** | **USD** | **Rs.** | **USD** |
| At 1st January 2012 | 2,611,486,860 | 43,452,505 | - | - | (182,734,403) | (3,040,516) | 2,428,752,457 | 40,411,989 |
| Loss for the year | - | - | | | (528,950,841) | (8,801,208) | (528,950,841) | (8,801,208) |
| Exchange differences on translating foreign operations | - | - | 187,511 | 3,120 | - | - | 187,511 | 3,120 |
| **As at 31st December, 2012 and 1st January , 2013** | **2,611,486,860** | **43,452,505** | **187,511** | **3,120** | **(711,685,244)** | **(11,841,724)** | **1,899,989,127** | **31,613,901** |
| Loss for the year | - | - | | | (313,537,051) | (5,216,940) | (313,537,051) | (5,216,940) |
| Exchange differences on translating foreign operations | - | - | (192,439) | (3,202) | - | - | (192,439) | (3,202) |
| **At 31st December, 2013** | **2,611,486,860** | **43,452,505** | **(4,928)** | **(82)** | **(1,025,222,295)** | **(17,058,664)** | **1,586,259,637** | **26,393,759** |

**Bharat Forge Hong Kong Limited**

**Statement of cash flows**
**for the year ended 31st December, 2013**

| | 2013 | | 2012 |
|---|---|---|---|
| | Rs. | USD | USD |
| **Operating activities** | | | |
| Loss before Tax | (313,537,051) | (5,216,940) | (8,801,208) |
| Adjustments for: | | | |
| Bank Interest Income | (24,280) | (404) | (44) |
| Loss on disposal of subsidiary | 201,006,185 | 3,344,540 | |
| Provision of impairment on investment in a subsidiary | - | - | 8,600,000 |
| **Operating Cash flow before movement in working capital** | (112,555,146) | (1,872,804) | (201,252) |
| Increase in other receivables | (222,429) | (3,701) | (31,321) |
| Increase / ( Decrease) in other payable | 64,271,207 | 1,069,408 | 3,000 |
| **Net Cash used in Operating activities** | (48,506,368) | (807,097) | (229,573) |
| **Investing activities** | | | |
| Bank Interest received | 24,280 | 404 | 44 |
| **Net Cash from (used in) Investing activities** | 24,280 | 404 | 44 |
| **Financing activities** | | | |
| Increase in amount due to intermediate holding company | 18,029,940 | 300,000 | - |
| Increase in amount due to immediate holding company | 36,059,880 | 600,000 | - |
| **Net Cash from (used in) Investing activities** | 54,089,820 | 900,000 | - |
| Net decrease in Cash and Cash equivalents | **5,607,732** | **93,307** | **(229,529)** |
| Cash & cash equivalent at 1 January | **3,895,670** | **64,820** | **294,349** |
| Effect of foreign exchange rate changes | (192,440) | (3,202) | **-** |
| **Cash & cash equivalent at 31 December represented by bank balance** | **9,310,962** | **154,925** | **64,820** |

## 1. GENERAL

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

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

The financial statements are presented in United State dollars ("US$"), which is also the functional currency of the Company.

The Company's principal activity is investment holding.

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

The Company has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

| | |
|---|---|
| Amendment to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendment to HKFRS 1 | Government Loans |
| Amendment to HKFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC*) - Interpretation ("Int") 20 | Stripping Costs in the Production Phase of a Surface Mine |

* IFRIC represents the International Financial Reporting Interpretation Committee

Except as described below, the application of the new and revised HKFRSs and HKASs 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 the financial statements.

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

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The Company has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Company's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". 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. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010 - 2012 cycle[2] |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011 - 2013 cycle[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKAS 19 | Defined Benefits Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC) - Int 21 | Levies[1] |

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

***Annual Improvements to HKFRSs 2010-2012 Cycle***

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below:

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segment, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation / amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation / amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company (the "Directors") do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Company's financial statements.

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

***Annual Improvements to HKFRSs 2011-2013 Cycle***

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Company's financial statements.

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 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.

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

***HKFRS 9 Financial Instruments - continued***

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risks management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future may not have a significant impact on the amounts reported in respect of the Company's financial assets and financial liabilities.

***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities***

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investor for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Company's financial statements as the Company is not an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) - Continued

***Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities***

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specially, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

***Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The amendments to HKAS 36 remove the requirements to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Company’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 and services.

The principal accounting policies are set out below.

Subsidiary

A subsidiary is an entity over which the Company has control over that entity. Control is achieved when the Company i) has power over the investee; ii) is exposed, or has rights, to variable returns from its involvement with the investee; and iii) has the ability to use its power to affect its returns.

Investment in a subsidiary is included in the statement of financial position at cost less identified accumulated impairment loss. Income from investment in a subsidiary is accounted for on the basis of dividends received and receivable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar allowances.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Company as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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 "loss before tax" as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 the 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 are recognised in profit or loss, except when they relate to item that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Financial assets**

Financial assets are classified into 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 debt instrument 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 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 debt instrument, 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.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial instruments - continued

**<u>Financial assets</u> - continued**

*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 other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

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
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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 losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial instruments - continued

**Financial liabilities and equity instruments**

Debt 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.

*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 recognised at the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities including other payables, amount due to the intermediate holding company / the immediate holding company are subsequently measured at amortised cost, using the effective interest method.

*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.

**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 asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial instruments - continued

**Derecognition - continued**

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Foreign currencies - continued

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3 to the financial statements, the Directors are required to make judgments, 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 on-going 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.

Critical judgments in applying accounting policies

The Directors have not come across any significant areas where critical judgments are involved in applying the Company's accounting policy.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

Key sources of estimation uncertainty

The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment on investment in a subsidiary**

In determining whether the investment in a subsidiary is impaired requires an estimation of the future cash flows expected to arise from the subsidiary in order to calculate the present value. Where the estimated future cash flows are less than expected, a material impairment loss may arise. Impairment assessment had been carried out at the end of the reporting period on the subsidiary in its entirely. As at 31 December 2012, the carrying amount of the investment in a subsidiary is US$31,552,640, net of provision of impairment of US$8,600,000.

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 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, exchange reserve and accumulated losses.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risk 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 RISK MANAGEMENT

(a) Categories of financial instruments

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| **Financial assets** | | |
| Loan and receivables (including cash and cash equivalents): | | |
| Other receivables | **28,239,845** | 25,431 |
| Bank balances and cash | **154,925** | 64,820 |
| | **28,394,770** | 90,251 |

6. FINANCIAL RISK MANAGEMENT - Continued

(a) Categories of financial instruments - continued

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| **Financial liabilities** | | |
| Other financial liabilities measured at amortised cost: | | |
| Other payables | **1,107,408** | 38,000 |
| Amount due to the intermediate holding company | **300,000** | - |
| Amount due to the immediate holding company | **600,000** | - |
| | **2,007,408** | 38,000 |

(b) Financial risk management objectives and policies

The Company's major financial instrument including other receivables, bank balances and cash, other payables, amount due to the intermediate holding company / the immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), 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.

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Company's financial results and its cash flow. The Directors consider the Company is not exposed to significant foreign currency risk as the majority of its operations and transactions are same as their functional currency of US$. In the opinion of the Directors, as the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to bank balances carried at prevailing market rate. However, such exposure is minimal to the Company as they are short-term in nature.

The Directors are of the opinion that the interest rate risk is considered minimal and thus no sensitivity analysis is presented.

Credit risk

At 31 December 2013, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recogised financial assets, mainly other receivables and bank balances, as stated in the statement of financial position.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

6. FINANCIAL RISK MANAGEMENT - Continued

(b) Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors its working capital requirements regularly.

All the financial liabilities are non-interest bearing and have remaining contractual maturity of less than 3 months or repayable on demand. The total undiscounted cash flows of each financial liability, based on the earliest date on which the Company can be required to pay approximate to their carrying amounts at the end of the reporting period as follows:

| | **Carrying amounts US$** |
|---|---|
| **At 31 December 2013** | |
| Other payables | **1,107,408** |
| Amount due to the intermediate holding company | **300,000** |
| Amount due to the immediate holding company | **600,000** |
| | **2,007,408** |
| At 31 December 2012 | |
| Other payables | 38,000 |

(c) Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values at the end of the respective accounting periods due to their short-term maturities.

7. OTHER INCOME

An analysis of the Company's other income for the year is as follows:

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Bank interest income | **404** | 44 |

## 8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not derive any assessable profit for both years.

The income tax expense for the years can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| **Loss before tax** | **(5,216,940)** | (8,801,208) |
| Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%) | **(860,795)** | (1,452,199) |
| Tax effect of income not taxable for tax purpose | **(67)** | (7) |
| Tax effect of expenses not deductible for tax purpose | **860,862** | 1,452,206 |
| **Income tax expense** | **-** | - |

## 9. LOSS FOR THE YEAR

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Loss for the year has been arrived at after charging: | | |
| Auditor's remuneration | **33,000** | 33,000 |
| Directors' remuneration | **-** | - |
| Staff costs | **134,676** | 47,306 |
| Operating lease charges in respect of land and building | **15,806** | 19,692 |

## 10. INVESTMENT IN A SUBSIDIARY

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Unlisted shares, at cost | **-** | 40,152,640 |
| Less: Provision for impairment loss | **-** | (8,600,000) |
| | **-** | 31,552,640 |

10. INVESTMENT IN A SUBSIDIARY - Continued

During the year ended 31 December 2012, the Directors reviewed the carrying amount of the investment cost in FAW Bharat Forge (Changchun) Company Limited ("FAW Changchun") with references to the business operated by the subsidiary. Provision of impairment of US$8,600,000 has been recognised.

During the year ended 31 December 2013, the Company disposed of its 51.85% equity interests, being the entire equity interest held by the Company in FAW Changchun to an independent third party for a total consideration of US$28,208,100.

| | **2013** |
|---|---|
| | **US$** |
| Consideration receivable | **28,208,100** |
| Net investment disposed of | **(31,552,640)** |
| Loss on disposal | **3,344,540** |

Particulars of the subsidiary of the Company as at 31 December 2013 are as follows:

| **Name of subsidiary** | **Place of incorporation** | **Paid up registered capital** | **Percentage of registered capital held by the Company** | | **Principal activities** |
|---|---|---|---|---|---|
| | | | **2013** | 2012 | |
| FAW Bharat Forge (Changchun) Company Limited 一汽巴勒特鍛造(長春)有限公司 | The People's Republic of China (the "PRC") | US$77,440,000 | **-** | 51.85% | Manufacturing motor vehicles forging parts; manufacturing and design moulds and providing consultants services |

Consolidated financial statements have not been prepared for the Company and its subsidiary as the Company is a wholly-owned subsidiary of another body corporate at the end of the financial year and the intermediate parent of the Company produces consolidated financial statements available for public use that comply with HKFRSs.

Statement pursuant to paragraph 18(4) of the tenth schedule of the Hong Kong Companies Ordinance is as follows:

The net aggregate amount of the subsidiary's losses attributable to the Company is set out below:

| | **Current year US$** | Previous period since incorporation US$ |
|---|---|---|
| Dealt with in the Company's financial statements | **3,344,540** | 8,600,000 |
| Not dealt with in the Company's financial statements | **2,437,591** | 15,747,762 |

11. OTHER RECEIVABLES

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Consideration receivable in relation to the disposal of FAW Changchun (Notes 10 & 17(b)) | **28,208,100** | - |
| Other receivables | **38,142** | 34,441 |
| | **28,246,242** | 34,441 |

12. BANK BALANCES AND CASH

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Bank balances and cash | **154,925** | 64,820 |

Cash at banks earn interest at floating rates based on daily bank deposits rates.

The bank balances and cash of the Company that are denominated in currencies other than the functional currency of the Company to which is stated as follows:

| | **2013** | 2012 |
|---|---|---|
| RMB | **205,406** | 98,524 |

13. AMOUNT DUE TO THE INTERMEDIATE HOLDING COMPANY / THE IMMEDIATE HOLDING COMPANY

The amount due to the intermediate holding company / the immediate holding company is unsecured, interest free and repayable on demand.

14. SHARE CAPITAL

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Authorised: | | |
| 10,000 Ordinary shares of HK$10 each | **1,292** | 1,292 |
| 42,000,000 Ordinary shares of US$1 each | **42,000,000** | 42,000,000 |
| 13,000,000 Non-voting redeemable preference shares of US$1 each | **13,000,000** | 13,000,000 |
| | **55,001,292** | 55,001,292 |

14. SHARE CAPITAL - Continued

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Issued and fully paid: | | |
| 1 Ordinary shares of HK$10 each | **1** | 1 |
| 31,299,864 Ordinary shares of US$1 each | **31,299,864** | 31,299,864 |
| 12,152,640 Non-voting redeemable preference shares of US$1 each | **12,152,640** | 12,152,640 |
| | **43,452,505** | 43,452,505 |

During the year ended 31 December 2011, 13,000,000 unissued ordinary shares of US$1 each had been re-designated as 13,000,000 non-voting redeemable preferences shares of US$1 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 therefore; 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.

## 15. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of the office premise which fall due as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Within one year | **10,548** | 24,306 |
| In the second to fifth year, inclusive | **-** | 7,677 |
| | **10,548** | 31,983 |

## 16. RELATED PARTY TRANSACTIONS

(a) Other than the balances with related parties disclosed in the Note 13 to the financial statements, there were no related party transactions for the years ended 31 December 2013 and 2012.

(b) Compensation of Directors and key management personnel

The Directors consider that they are the only key management personnel of the Company. No emolument was paid or payable to the Directors during the year ended 31 December 2013 and 2012.

## 17. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 8 January 2014, the Company entered into a loan agreement to lend a loan to its immediate holding company with the amount of US$26,000,000. The loan was unsecured, interest free and will be repayable at any time forthwith on demand by the Company to the immediate holding company.

(b) On 9 January 2014, the consideration receivable in relation to the disposal of FAW Changchun with the amount of US$28,208,100 was fully settled.

(c) On 9 January 2014, the amount due to an intermediate holding company with the amount of US$300,000 and the immediate holding company with the amount of US$600,000 were paid.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 May 2014.

## FAW Bharat Forge (Changchun) Company Limited

| ***Board of Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. Qin Haunming | 118-1 Dongfeng Street | Shanghai Certified Public |
| Mr. B. N. Kalyani | Changchun, Jilni Province | Accountants |
| Mr. A. B. Kalyani | P.R. China 130 011 | 20/F WnXin United Press Tower |
| Mr. K. M. Saletore | | No. 755 WeiHi Road, |
| Mr. S. E. Tandale | | Shanghai, China |
| Mr. Li Chongtian | | |
| Mr. Zhang Ruiquing | | |

## Auditors' Report

SCPAR (2013) No.2562

Dated: 2013, Dec. 21

**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 Oct. 31, 2013, the income statement, the Changes to Owners' Equity and the Cash Flow Statement in the period of Jan.1 2013, to Oct.31, 2013 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 Oct. 31, 2013 and its operation results and cash flow in the period of Jan 1, 2013 to Oct 31, 2013.

CPA

Chao Xu

Geng Lei

Shanghai Certified Public Accountants

Shanghai, China

**Balance Sheet**

**As at 31 October 2013**

**Company Name: FAW Bharat Forge (Changchun) Company Limited**

**As at 31 December 2012**

| Items | Rs. | RMB | RMB |
|---|---|---|---|
| Current Assets | | | |
| Monetary Funds | 590,190,323.54 | 57,816,450.19 | 44,693,284.34 |
| Tradable financial assets | | | |
| Notes Receivable | 40,788,907.64 | 3,995,778.57 | 18,376,000.00 |
| Accounts Receivable | 1,510,387,880.81 | 147,961,195.22 | 139,595,384.49 |
| Advances to Suppliers | 128,197,680.14 | 12,558,550.17 | 10,154,794.26 |
| Other Receivables | 122,179,055.48 | 11,968,951.36 | 12,476,438.16 |
| Subsidy receivable | | | |
| Inventory | 2,962,083,770.09 | 290,172,783.12 | 254,041,326.69 |
| **Total of Current Assets** | **5,353,827,617.70** | **524,473,708.63** | **479,337,227.94** |
| Non-current Assets | | | |
| Loans and Advances | | | |
| Financial Assets Available for Sale | | | |
| Held-To-Maturity Investment | | | |
| Long-term Accounts Receivable | | | |
| Long-term Equity Investment | | | |
| Investment Real Estate | | | |
| Fixed Assets | 4,128,944,480.26 | 404,481,238.27 | 430,361,743.02 |
| Construction in Process | 3,011,503,642.69 | 295,014,071.58 | 225,028,492.67 |
| Intangible Assets | 668,051,757.89 | 65,443,941.80 | 66,774,339.63 |
| Long-term Deferred Expenses | | | |
| Deferred Income Tax Assets | | | |
| Other Non-current Assets | | | |
| Total of Non-current Assets | **7,808,499,880.84** | **764,939,251.65** | **722,164,575.32** |
| **Total of Assets** | **13,162,327,498.54** | **1,289,412,960.28** | **1,201,501,803.26** |

Legal Representative： Person in charge of the accounting department：

**Balance Sheet**

**As at 31 October 2013**

**Company Name: FAW Bharat Forge (Changchun) Company Limited**

**As at 31 December 2012**

| Items | Rs. | RMB | RMB |
|---|---|---|---|
| Current Liability | | | |
| Short-term Loan | 3,812,688,000.00 | 373,500,000.00 | 307,580,000.00 |
| Tradable financial liabilities | | | |
| Notes Payable | 326,656,000.00 | 32,000,000.00 | 80,000,000.00 |
| Accounts Payable | 2,755,090,443.12 | 269,895,223.66 | 188,186,701.98 |
| Advance from Customers | 23,707,544.90 | 2,322,447.58 | 2,789,102.51 |
| Employee salary payable | 24,984,454.02 | 2,447,536.64 | 1,952,541.11 |
| Taxes and Fees Payable | 10,060,928.55 | 985,592.53 | (3,567,783.05) |
| Accrued Interest Payable | 29,360,664.66 | 2,876,240.66 | 889,643.64 |
| Other Payables | 164,048,405.61 | 16,070,572.65 | 16,775,171.41 |
| **Total of Current Liability** | **7,146,596,440.85** | **700,097,613.72** | **594,605,377.60** |
| Non-current Liability | | | |
| Long-term Loan | 1,877,270,716.78 | 183,901,911.91 | 155,435,602.07 |
| Long-term Payable | 768,711,895.63 | 75,304,848.71 | 92,174,488.44 |
| **Total of Non-current Liability** | **2,645,982,612.41** | **259,206,760.62** | **247,610,090.51** |
| **Total of Liability** | **9,792,579,053.26** | **959,304,374.34** | **842,215,468.11** |
| Owners' Equity | | | |
| Capital Stock | 5,812,438,542.20 | 569,400,327.41 | 569,400,327.41 |
| Capital Surplus | 754,136.11 | 73,876.97 | 73,876.97 |
| Less：Shares in stock | - | - | - |
| Surplus Common Reserve Fund | - | - | - |
| Undistributed Profit | (2,443,444,233.04) | (239,365,618.44) | (210,187,869.23) |
| Translation difference of foreign currency statements | - | - | - |
| Total owner's equity belong to parent company | 3,369,748,445.28 | 330,108,585.94 | 359,286,335.15 |
| Minority Interests | - | - | - |
| **Total of Owners' Equity** | **3,369,748,445.28** | **330,108,585.94** | **359,286,335.15** |
| **Total of Liability and Owners' Equity** | **13,162,327,498.54** | **1,289,412,960.28** | **1,201,501,803.26** |

Person in charge of accountancy work：

**Income Statement of January to October 2013**

**Company Name: FAW Bharat Forge (Changchun) Company Limited**

| | | | **Previous Year** |
|---|---|---|---|
| **Items** | **Rs.** | **RMB** | **RMB** |
| I. Operating Income | 6,184,391,950.95 | 605,837,769.49 | 632,179,371.71 |
| Less: Sales Discount | | | |
| II. Net Operating Income | 6,184,391,950.95 | 605,837,769.49 | 632,179,371.71 |
| | | | |
| **Less: Operating costs** | 5,431,106,231.80 | 532,044,105.78 | 564,613,416.05 |
| business tax and addition | 12,326,223.19 | 1,207,506.19 | 1,190,946.84 |
| selling expenses | 106,889,272.79 | 10,471,127.82 | 12,147,944.37 |
| administrative expenses | 676,671,798.56 | 66,288,381.52 | 92,078,775.99 |
| financial expenses | 243,494,958.83 | 23,853,346.28 | 27,959,556.20 |
| asset devalution provision loss | (3,261,186.10) | (319,473.56) | 3,268,742.27 |
| | | | |
| Add: Gains from fair value movement (loss "-") | | | |
| Investment income (loss "-") | - | - | - |
| including inv. Income from joint and associate companies | - | - | - |
| **III. Operating profit (loss "-")** | **(282,835,348.10)** | **(27,707,224.54)** | **(69,080,010.01)** |
| Add: non-operating income | 1,392,470.63 | 136,409.74 | 482,506.74 |
| Less: non-operating expenses | 16,403,586.46 | 1,606,934.41 | 4,290,259.89 |
| **IV. Total profit (loss "-")** | **(297,846,463.94)** | **(29,177,749.21)** | **(72,887,763.16)** |
| Less: Corporate tax expenses | - | - | - |
| **V. Net profit (loss "-")** | **(297,846,463.94)** | **(29,177,749.21)** | **(72,887,763.16)** |
| | | | |

**Consolidated Cash Flow Statement of Jan to Oct,2013**

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

| Items | Rs. | RMB | RMB |
|---|---|---|---|
| **I. Cash Flows from Operating Activities** | | | |
| Cash Receipts from the Sale of Goods or Rendering of Services | 3,422,822,375.49 | 335,307,834.59 | 379,779,874.30 |
| Cash Received Relating to Other Operating Activities | 4,976,488.61 | 487,508.68 | 771,541.11 |
| Subtotal of Cash Inflows from Operating Activities | 3,427,798,864.10 | 335,795,343.27 | 380,551,415.41 |
| Cash Paid for Goods and Services | 2,054,429,935.62 | 201,256,851.06 | 95,635,549.78 |
| Cash Paid to and for Employees | 919,447,686.47 | 90,071,285.90 | 114,655,385.49 |
| Payments of Taxes and Surcharges | 124,197,637.16 | 12,166,696.43 | 14,913,187.71 |
| **Cash Paid Relating to Other Operating Activities** | 218,186,458.89 | **21,374,065.33** | **42,620,519.55** |
| **Subtotal of Cash Outflows from Operating Activities** | 3,316,261,718.13 | **324,868,898.72** | **267,824,642.53** |
| **Net Cash Flows from Operating Activities** | 111,537,145.97 | **10,926,444.55** | **112,726,772.88** |
| **II. Cash Flows from Investing Activities** | | | |
| **Proceeds from Sell of Investment** | | | |
| **Cash Receipts from Return on Investments** | | | |
| **Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets** | **115,830.28** | **11,347.01** | |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Cash Received Relating to Other Investing Activities | | | |
| Subtotal of Cash Inflows from Investing Activities | 115,830.28 | 11,347.01 | |
| Cash Paid for Purchase of Fixed Assets, Intangible Assets and Other Long-term Asset | 458,049,319.44 | 44,871,602.61 | 137,506,604.59 |
| Cash Paid on Investments | | | |
| Net Increase in Pledged Loans | | | |
| Net Cash Paid for Acquisition of Subsidiaries and Other Business Units | | | |
| Cash Paid Relating to Other Investing Activities | | | |
| Subtotal of Cash Outflows from Investing Activities | 458,049,319.44 | 44,871,602.61 | 137,506,604.59 |
| Net Cash Flows from Investing Activities | (457,933,489.16) | (44,860,255.60) | (137,506,604.59) |
| **III.Cash flows from financing activities** | | | |
| Cash Received from Capital Contribution | | | |
| Including: Cash Received from Minority Interest Contribution to Subsidiaries | | | |
| Cash Received from Loans | 5,132,136,410.85 | 502,756,309.84 | 573,435,602.07 |
| Cash Received from Bond Issue | | | |
| Cash Received Relating to Other Financing Activities | | | |
| Subtotal of Cash Inflows from Financing Activities | 5,132,136,410.85 | 502,756,309.84 | 573,435,602.07 |
| Cash Repayments of Loans | 4,168,640,960.00 | 408,370,000.00 | 520,000,000.00 |
| Cash Paid for Dividend and Profit Distribution or Interest Payment | 266,267,707.76 | 26,084,219.02 | 21,345,256.18 |
| Including: Dividend and Profit Paid to Minority Interests by Subsidiaries | | | |
| Cash Paid Relating to Other Financing Activities | 216,915,916.80 | 21,249,600.00 | 30,073,751.97 |
| **Subtotal of Cash Outflows from Financing Activities** | **4,651,824,584.56** | **455,703,819.02** | **571,419,008.15** |
| **Net Cash Flows from Financing Activities** | **480,311,826.29** | **47,052,490.82** | **2,016,593.92** |
| **IV.Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents** | **45,793.90** | **4,486.08** | **(105,428.58)** |
| **V.Net Increase in Cash and Cash Equivalents** | **133,961,277.00** | **13,123,165.85** | **(22,868,666.37)** |
| **Add: Balance of Cash and Cash Equivalents as at the Beginning of the Period** | **456,229,046.54** | **44,693,284.34** | **67,561,950.71** |
| **VI.Balance of Cash and Cash Equivalents as at the End of the Period** | **590,190,323.54** | **57,816,450.19** | **44,693,284.34** |

**Consolidated Statement of Changes in Owners' Equity of Jan to Oct,2013**

Company Name: FAW Bharat Forge (Changchun) Company Limited  Unit:RMB Yuan

| Items | Jan to Oct Amount | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owners' Equity belonging to Parent Company | | | | | | | | | Minority Interests | Total of owners' Equity |
| | Paid-in Capital | Capital Surplus | Less: Treasury Stock | Appropriative Reserve | Surplus Reserve | Generic Risk Reserve | Undistributed Profit | Others | Subtotal | | |
| I. Ending Balance of Previous Year | 569,400,327.41 | 73,876.97 | | | | | (210,187,869.23) | | 359,286,335.15 | | **359,286,335.15** |
| Add: Adjustment of accounting policy | | | | | | | | | | | |
| Correction of previous period | | | | | | | | | | | |
| II. Beginning Balance of Current Year | 569,400,327.41 | 73,876.97 | | | | | (210,187,869.23) | | 359,286,335.15 | | **359,286,335.15** |
| III. Increase or Decrease Amount in Current Year | | | | | | | (29,177,749.21) | | (29,177,749.21) | | **(29,177,749.21)** |
| （1）Net Profit | | | | | | | (29,177,749.21) | | (29,177,749.21) | | **(29,177,749.21)** |
| （2）Other Comprehensive Income | | | | | | | | | | | |
| Net Profit and Other Comprehensive Income | | | | | | | (29,177,749.21) | | (29,177,749.21) | | **(29,177,749.21)** |
| （3）Capital Increase or Decrease | | | | | | | | | | | |
| 1.Capital invested | | | | | | | | | | | |
| 2.Payment of share relating to owners' equity | | | | | | | | | | | |
| 3.Others | | | | | | | | | | | |
| （4）Withdrawal and Using Appropriative Reserve | | | | | | | | | | | |
| 1.Withdrawal Appropriative Reserve | | | | | | | | | | | |
| 2.Using Appropriative Reserve | | | | | | | | | | | |
| （5）Distribution of Profit | | | | | | | | | | | |
| 1. Surplus reserve | | | | | | | | | | | |
| Including:Legal Surplus Reserves | | | | | | | | | | | |
| Free Surplus Reserves | | | | | | | | | | | |
| Reserve Fund | | | | | | | | | | | |
| Enterprise Expansion Fund | | | | | | | | | | | |
| Profits Capitalized on Return of Investment | | | | | | | | | | | |
| 2.Withdrawal of Generic Risk Reserve | | | | | | | | | | | |
| 3.Distribution to shareholders | | | | | | | | | | | |
| 4.Others | | | | | | | | | | | |
| （6）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 | | | | | | | | | | | |
| **IV. Ending Balance of Current Year** | **569,400,327.41** | **73,876.97** | | | | | **(239,365,618.44)** | | **330,108,585.94** | | **330,108,585.94** |

Consolidated Statement of Changes in Owners' Equity of Jan to Oct,2013

Company Name: FAW Bharat Forge (Changchun) Com| Unit:RMB Yuan

| Items | Prior Year Amount | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owners' Equity belonging to Parent Company | | | | | | | | | Minority Interests | Total of owners' Equity |
| | Paid-in Capital | Capital Surplus | Less: Treasury Stock | Appropriative Reserve | Surplus Reserve | Generic Risk Reserve | Undistributed Profit | Others | Subtotal | | |
| I. Ending Balance of Previous Year | 569,400,327.41 | 73,876.97 | | | | | (137,300,106.07) | | 432,174,098.31 | | 432,174,098.31 |
| Add: Adjustment of accounting policy | | | | | | | | | | | |
| Correction of previous period | | | | | | | | | | | |
| II. Beginning Balance of Current Year | 569,400,327.41 | 73,876.97 | | | | | (137,300,106.07) | | 432,174,098.31 | | 432,174,098.31 |
| III. Increase or Decrease Amount in Current Year | | | | | | | (72,887,763.16) | | (72,887,763.16) | | (72,887,763.16) |
| （1）Net Profit | | | | | | | (72,887,763.16) | | (72,887,763.16) | | (72,887,763.16) |
| （2）Other Comprehensive Income | | | | | | | | | | | |
| Net Profit and Other Comprehensive Income | | | | | | | (72,887,763.16) | | (72,887,763.16) | | (72,887,763.16) |
| （3）Capital Increase or Decrease | | | | | | | | | | | |
| 1.Capital invested | | | | | | | | | | | |
| 2.Payment of share relating to owners' equity | | | | | | | | | | | |
| 3.Others | | | | | | | | | | | |
| （4）Withdrawal and Using Appropriative Reserve | | | | | | | | | | | |
| 1.Withdrawal Appropriative Reserve | | | | | | | | | | | |
| 2.Using Appropriative Reserve | | | | | | | | | | | |
| （5）Distribution of Profit | | | | | | | | | | | |
| 1. Surplus reserve | | | | | | | | | | | |
| Including:Legal Surplus Reserves | | | | | | | | | | | |
| Free Surplus Reserves | | | | | | | | | | | |
| Reserve Fund | | | | | | | | | | | |
| Enterprise Expansion Fund | | | | | | | | | | | |
| Profits Capitalized on Return of Investment | | | | | | | | | | | |
| 2.Withdrawal of Generic Risk Reserve | | | | | | | | | | | |
| 3.Distribution to shareholders | | | | | | | | | | | |
| 4.Others | | | | | | | | | | | |
| （6）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 | | | | | | | | | | | |
| **IV. Ending Balance of Current Year** | **569,400,327.41** | **73,876.97** | | | | | **(210,187,869.23)** | | **359,286,335.15** | | **359,286,335.15** |

## 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, offer repairing and processing for the forging dies, and provide the relevant technical services.

## 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 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.

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

(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
② Those 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 October 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | RMB | Foreign currency | Exchange rate | RMB |
| Cash | | | | | | |
| RMB | | | 330.44 | | | 876.64 |
| Bank | | | | | | |
| RMB | | | 41,416,119.75 | | | 19,502,108.50 |
| Other cash equivalent | | | | | | |
| RMB | | | 16,400,000.00 | | | 25,190,299.20 |
| Total | | | 57,816,450.19 | | | 44,693,284.34 |

Other cash equivalent consists of deposit of bank acceptance and letter of credit.

2. Notes Receivable

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Bank Acceptance | 3,995,778.57 | 18,376,000.00 |

3. Accounts Receivable

| Account Age | 31 October 2013 | | | | |
|---|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Provision for Bad Debts | Book Value | Proportion for Making Provision for Bad Debts |
| 0-6 Months | 133,698,885.18 | 81.40% | - | 133,698,885.18 | - |

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

| | | | | | |
|---|---|---|---|---|---|
| 7-12 Months | 6,966,529.48 | 4.24% | 348,326.47 | 6,618,203.01 | 5.00% |
| 1-2 Years | 6,975,116.65 | 4.25% | 697,511.67 | 6,277,604.98 | 10.00% |
| 2-3 Years | 999,662.75 | 0.61% | 299,898.83 | 699,763.92 | 30.00% |
| 3-4 Years | 1,333,476.27 | 0.81% | 666,738.14 | 666,738.13 | 50.00% |
| Over 4 Years | 14,276,501.09 | 8.69% | 14,276,501.09 | - | 100.00 % |
| Among: Changchun FAW Sihuan Transmission Gear Factory | 13,691,948.88 | 8.34% | 13,691,948.88 | - | 100.00 % |
| Total | 164,250,171.42 | 100.00% | 16,288,976.20 | 147,961,195.22 | |

| Account Age | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Provision for Bad Debts | Book Value | Proportion for Making Provision for Bad Debts |
| 0-6 Months | 112,964,654.60 | 72.32% | - | 112,964,654.60 | - |
| 7-12 Months | 21,928,330.69 | 14.04% | 1,096,416.53 | 20,831,914.16 | 5.00% |
| 1-2 Years | 5,501,839.39 | 3.52% | 550,183.94 | 4,951,655.45 | 10.00% |
| 2-3 Years | 404,530.22 | 0.26% | 121,359.07 | 283,171.15 | 30.00% |
| 3-4 Years | 1,127,978.26 | 0.72% | 563,989.13 | 563,989.13 | 50.00% |
| Over 4 Years | 14,276,501.09 | 9.14% | 14,276,501.09 | - | 100.00% |
| Among: Changchun FAW Sihuan Transmission Gear Factory | 13,691,948.88 | 8.77% | 13,691,948.88 | - | 100.00% |
| Total | 156,203,834.25 | 100.00% | 16,608,449.76 | 139,595,384.49 | |

(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:

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

| Item | 31 October 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Amount (Original Occurred Amount) | Proportion to Total Amount |
| Total of the top five | 94,363,036.03 | 57.45% | 90,696,054.69 | 58.06% |

(3) Provision for Bad Debts

| Item | Amount |
|---|---|
| 31 December 2012 | 16,608,449.76 |
| Increase for current period | -319,473.56 |
| Reversal of provision for current period | - |
| 31 October 2013 | 16,288,976.20 |

4. Advance to Suppliers

| Account Age | 31 October 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Amount | Proportion to Total Amount | Amount | Proportion to Total Amount |
| 0-1 Years | 10,948,944.52 | 87.18% | 10,137,672.89 | 99.83% |
| 1-2 Years | 1,598,525.72 | 12.73% | - | - |
| 2-3 Years | - | - | 17,120.47 | 0.17% |
| Over 3 Years | 11,079.93 | 0.09% | 0.90 | - |
| Total | 12,558,550.17 | 100.00% | 10,154,794.26 | 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 October 2013 | | | | |
|---|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Provision for Bad Debts | Book Value | Proportion for Making Provision for Bad Debts |
| 0-6 Months | 344,466.18 | 2.88% | - | 344,466.18 | - |
| 7-12 Months | 28,613.66 | 0.24% | - | 28,613.66 | - |
| 1-2 Years | 77,771.84 | 0.65% | - | 77,771.84 | - |

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

| | | | | | |
|---|---|---|---|---|---|
| 2-3 Years | 11,463,889.68 | 95.78% | - | 11,463,889.68 | - |
| 3-4 Years | - | - | - | - | - |
| Over 4 Years | 54,210.00 | 0.45% | - | 54,210.00 | - |
| Total | 11,968,951.36 | 100.00% | - | 11,968,951.36 | |

| Account Age | 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Provision for Bad Debts | Book Value | Proportion for Making Provision for Bad Debts |
| 0-6 Months | 789,762.98 | 6.33% | - | 789,762.98 | - |
| 7-12 Months | 108,575.50 | 0.87% | - | 108,575.50 | - |
| 1-2 Years | 11,523,889.68 | 92.37% | - | 11,523,889.68 | - |
| 2-3 Years | - | - | - | - | - |
| 3-4 Years | - | - | - | - | - |
| Over 4 Years | 54,210.00 | 0.43% | - | 54,210.00 | - |
| Total | 12,476,438.16 | 100.00% | - | 12,476,438.16 | |

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

(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 October 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Amount (Original Occurred Amount) | Proportion to Total Amount | Amount (Original Occurred Amount) | Proportion to Total Amount |
| Total of the top five | 11,954,658.86 | 99.88% | 12,276,936.00 | 98.40% |

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

6. Inventories

| Item | 31 October 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Amount | Provision | Amount | Provision |
| Raw materials | 116,376,063.83 | - | 87,386,593.66 | - |
| Turnover materials(Dies) | 77,775,785.37 | - | 80,398,484.05 | 2,150,613.36 |
| Finished goods | 49,840,649.06 | - | 36,950,235.23 | - |
| Work in progress | 39,872,145.71 | - | 45,242,615.09 | - |
| Materials in consignment | 6,308,139.15 | - | 6,214,012.02 | - |
| Total | 290,172,783.12 | - | 256,191,940.05 | 2,150,613.36 |

7. Fixed Assets, Accumulated Depreciation

| Categories | 31 December 2012 | Current Increase | Current Decrease | 31 October 2013 |
|---|---|---|---|---|
| Original Value | | | | |
| Buildings and structures | 70,551,368.82 | - | - | 70,551,368.82 |
| Machinery equipment | 398,957,687.20 | 62,089,305.06 | 74,048,026.11 | 386,998,966.15 |
| Electrical and other Equipments | 5,680,905.11 | 374,174.40 | 601,308.14 | 5,453,771.37 |
| Transport Equipments | 3,290,952.93 | 191,135.60 | 145,094.75 | 3,336,993.78 |
| Die | 32,825,637.44 | - | - | 32,825,637.44 |
| Total | 511,306,551.50 | 62,654,615.06 | 74,794,429.00 | 499,166,737.56 |
| | | | | |
| Accumulated Depreciation | | | | |
| Buildings and structures | 7,620,958.63 | 1,014,162.30 | - | 8,635,120.93 |
| Machinery equipment | 57,569,669.10 | 16,811,603.72 | 6,225,008.19 | 68,156,264.63 |
| Electrical and other Equipments | 4,004,270.92 | 549,860.51 | 539,929.25 | 4,014,202.18 |
| Transport Equipments | 1,687,653.42 | 417,637.76 | 122,166.93 | 1,983,124.25 |
| Die | 10,062,256.41 | 1,834,530.89 | - | 11,896,787.30 |
| Total | 80,944,808.48 | 20,627,795.18 | 6,887,104.37 | 94,685,499.29 |
| Net Value | 430,361,743.02 | | | 404,481,238.27 |
| Provision for impairment loss on fixed assets | - | | | - |
| Book Value | 430,361,743.02 | | | 404,481,238.27 |

(1) The converted construction in progress of current period is 62,654,615.06 yuan.

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

(2) The decrease 67,781,638.19 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 whose book value is 169,541,837.02 yuan and 3 machinery equipments of constructions in progress whose 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 40,000,000.00 yuan credit limit by mortgaging the machinery equipments whose original value is 104,032,653.76 yuan to the bank, by the end of Oct., the loan was 27,000,000.00 yuan.

8. Constructions in Progress

(1) Book Value

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 295,014,071.58 | 225,028,492.67 |

(2) Current Increase and Decrease

| Project Name | 31 December 2012 | Current Increase | Interests Capitalized |
|---|---|---|---|
| Shaft & gear project | 176,222,447.47 | 55,066,135.62 | 9,909,055.13 |
| Updating mechanical and power equipments | 43,557,851.78 | 74,306,437.02 | - |
| Improving mechanical and power equipments | 3,958,699.08 | 2,305,028.37 | - |
| Updating and purchasing electrical equipments | 389,494.34 | 962,592.96 | - |
| Other | 900,000.00 | - | - |
| Total | 225,028,492.67 | 132,640,193.97 | 9,909,055.13 |

| Project Name | Other deposition | Converted Fixed Amount of Current Period | 31 October 2013 |
|---|---|---|---|
| Shaft & gear project | - | - | 231,288,583.09 |
| Updating mechanical and power equipments | - | 62,103,458.05 | 55,760,830.75 |
| Improving mechanical and power equipments | - | - | 6,263,727.45 |
| Updating and purchasing electrical equipments | - | 551,157.01 | 800,930.29 |
| Other | - | - | 900,000.00 |
| Total | - | 62,654,615.06 | 295,014,071.58 |

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

9. Intangible assets

| Items | 31 December 2012 | Current Increase | Current Decrease | 31 October 2013 |
|---|---|---|---|---|
| Land use right | 66,366,366.97 | - | 1,213,013.60 | 65,153,353.37 |
| Software | 407,972.66 | - | 117,384.23 | 290,588.43 |
| Total | 66,774,339.63 | - | 1,330,397.83 | 65,443,941.80 |

10. Short-term Loans

| Items | 31 October 2013 | | |
|---|---|---|---|
| | Amount | Due Time | Monthly Interest rate |
| Credit Loan | 147,000,000.00 | 2013.01.17-2014.10.20 | Floating |
| Loan Pledged (1) | 73,500,000.00 | 2013.07.15-2014.01.15 | Floating |
| Loan Pledged (1) | 46,000,000.00 | 2013.06.05-2013.12.05 | Floating |
| Loan Pledged (1) | 30,000,000.00 | 2013.10.24-2014.04.24 | Floating |
| Factoring(2) | 28,000,000.00 | 2013.10.11-2014.03.20 | Floating |
| Mortgage Loan(3) | 27,000,000.00 | 2013.02.19-2014.02.18 | Floating |
| Factoring(2) | 22,000,000.00 | 2013.06.06-2013.12.20 | Floating |
| Total | 373,500,000.00 | | |

| Items | 31 December 2012 | | |
|---|---|---|---|
| | Amount | Due Time | Monthly Interest rate |
| Credit Loan | 127,000,000.00 | 2012.08.08-2013.11.29 | Floating |
| Loan Pledged | 56,000,000.00 | 2012.09.17-2013.03.16 | 0.47% |
| Loan Pledged | 25,000,000.00 | 2012.12.18-2013.06.18 | 0.47% |
| Loan Pledged | 20,000,000.00 | 2012.11.16-2013.05.16 | 0.47% |
| Mortgage Loan | 17,000,000.00 | 2012.03.15-2013.02.10 | Floating |
| Factoring | 16,000,000.00 | 2012.11.07-2013.04.15 | Floating |
| Factoring | 15,000,000.00 | 2012.10.30-2013.03.04 | Floating |
| Mortgage Loan | 13,000,000.00 | 2012.09.14-2013.09.13 | Floating |
| Mortgage Loan | 10,000,000.00 | 2012.02.14-2013.02.10 | Floating |
| Notes Discount | 8,580,000.00 | - | - |
| Total | 307,580,000.00 | | |

(1) The company obtained 195,000,000.00 yuan credit line from China Citic Bank by pledging all

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

the accounts receivable from FAW JieFang automotive company, during the comprehensive credit period and after the expiration of 6 months. By the end of Oct 2013, the balance amount of loan pledged was 149,500,000.00 yuan.

(2) The company obtained domestic factoring loan with the right of recourse from Shanghai Pudong development bank Changchun FAW sub-branch by pledging its accounts receivable. By the end of Oct 2013, the balance amount of the factoring loan was 50,000,000.00 yuan.

(3) The company obtained 40,000,000.00 yuan credit line from China Merchants Bank by mortgaging 53 machinery equipments whose book value is 104,032,653.76 yuan. By the end of Oct 2013, the balance amount of mortgage loan is 27,000,000.00 yuan.

11. Notes Payable

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Bank Acceptance | 32,000,000.00 | 80,000,000.00 |

12. Accounts Payable

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 269,895,223.66 | 188,186,701.98 |
| Including: over 3 years | 8,194,620.40 | 953,770.77 |

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

13. Advance From Customers

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 2,322,447.58 | 2,789,102.51 |
| Including: over 1 years | 1,216,767.63 | 1,526,196.95 |

(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.

14. Employees Salary Payable

| Items | 31 December 2012 | Current Increase | Current Payment | 31 October 2013 |
|---|---|---|---|---|
| One. Wage, Bonus, Allowance and Subsidy | - | 54,787,130.84 | 54,342,484.27 | 444,646.57 |

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

| | | | | |
|---|---|---|---|---|
| Two. Employees' Welfare | - | 5,672,711.86 | 5,672,711.86 | - |
| Three. Social Securities | - | 25,956,845.29 | 25,956,845.29 | - |
| In which: Medical Insurance | - | 7,194,287.43 | 7,194,287.43 | - |
| Basic pension insurance | - | 16,581,586.11 | 16,581,586.11 | - |
| Unemployment Insurance | - | 1,497,270.04 | 1,497,270.04 | - |
| Work-Related Insurance | - | 444,669.00 | 444,669.00 | - |
| Maternity Insurance | - | 239,032.71 | 239,032.71 | - |
| Four. Housing Accumulation Fund | 4,186.00 | 10,850,022.00 | 10,853,888.00 | 320.00 |
| Five. Trade Union Outlays and Employees' Education Outlay | - | 514,975.21 | 514,975.21 | - |
| Six. Non-monetary welfare | - | - | - | - |
| Seven. Compensation to the dismissal of Labor Contract | 1,931,208.42 | 314,798.13 | 263,387.17 | 1,982,619.38 |
| Eight. Others | 17,146.69 | 3,782,256.30 | 3,779,452.30 | 19,950.69 |
| Total | 1,952,541.11 | 101,878,739.63 | 101,383,744.10 | 2,447,536.64 |

15. Taxes Payable

| Taxes | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Value-Added tax | 402,027.25 | -3,779,168.94 |
| Stamp tax | 180,000.00 | 124,899.00 |
| Real estate tax | 147,113.27 | - |
| Individual Income tax | 118,202.98 | 86,486.89 |
| Urban land-use tax | 65,122.58 | - |
| Urban construction and maintenance tax | 42,657.10 | - |
| Education surcharge | 30,469.35 | - |
| Total | 985,592.53 | -3,567,783.05 |

16.Accrued Interest Payable

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 2,876,240.66 | 889,643.64 |

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

17. Other Payables

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 16,070,572.65 | 16,775,171.41 |
| Including: over 3 years | 1,458.20 | 512,443.44 |

The Company owes the investor, China FAW Corporation Limited, RMB 11,075,360.00. That is the rental charge of land use right.

18. Long-term Loans

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Credit Loan | 183,901,911.91 | 155,435,602.07 |

The company signed 0.37 billion credit agreement with Bank of Communications Changchun FAW Sub-branch for Shaft & gear project and obtained 99,500,000.00 yuan long-term borrowings (period:2011.09.05-2016.12.17, interest rate: benchmark interest rate plus 10%). Meantime, the bank has the priority mortgage rights of Shaft & gear project, when it completed. In 2013, under this credit agreement, the corporation obtained 28,466,309.84 yuan(due to 2017.12.17). Hence, at the end of Oct 2013, the total amount of long-term Loan borrowed from Bank of Communications Changchun FAW sub-branch has reached 183,901,911.91 yuan.

19. Long-term Payable

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Balance | 75,304,848.71 | 92,174,488.44 |

20. Paid-in Capital

| Name of Shareholders | 31 December 2012 | Increase of Current Period | Decrease of Current Period | 31 October 2013 |
|---|---|---|---|---|
| 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.

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

21. Capital Surplus

| Item | 31 December 2012 | Increase of Current Period | Decrease of Current Period | 31 October 2013 |
|---|---|---|---|---|
| Accepted non-cash assets donation | 73,876.97 | - | - | 73,876.97 |

22. Undistributed Profits

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Net Profit | -29,177,749.21 | -72,887,763.16 |
| Add: Undistributed profit at the beginning of year. | -210,187,869.23 | -137,300,106.07 |
| Profit Available for Distribution | -239,365,618.44 | -210,187,869.23 |
| 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 | -239,365,618.44 | -210,187,869.23 |

23. Operating Revenue and Operating Costs

(1) Operating Revenue

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Main Business Revenue | 569,358,122.89 | 593,036,978.64 |
| Other Business Revenue | 36,479,646.60 | 39,142,393.07 |
| Total | 605,837,769.49 | 632,179,371.71 |

(2) Operating Costs

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Main Business Costs | 530,779,124.93 | 560,168,223.66 |
| Other Business Costs | 1,264,980.85 | 4,445,192.39 |
| Total | 532,044,105.78 | 564,613,416.05 |

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

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

| Items | 31 October 2013 | | |
|---|---|---|---|
| | Operating Revenue | Operating Costs | Operating Profit |
| Forging | 497,804,442.67 | 478,261,602.48 | 19,542,840.19 |
| Other Products | 71,553,680.22 | 52,517,522.45 | 19,036,157.77 |
| Materials, Labor Service, Waste | 34,890,114.67 | - | 34,890,114.67 |
| Others | 1,589,531.93 | 1,264,980.85 | 324,551.08 |
| Total | 605,837,769.49 | 532,044,105.78 | 73,793,663.71 |

| Items | 31 December 2012 | | |
|---|---|---|---|
| | Operating Revenue | Operating Costs | Operating Profit |
| Forging | 476,804,669.08 | 465,466,309.20 | 11,338,359.88 |
| Other Products | 116,228,087.58 | 94,698,857.65 | 21,529,229.93 |
| Materials, Labor Service, Waste | 33,754,939.60 | - | 33,754,939.60 |
| Others | 5,391,675.45 | 4,448,249.20 | 943,426.25 |
| Total | 632,179,371.71 | 564,613,416.05 | 67,565,955.66 |

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

| Items | 31 October 2013 | |
|---|---|---|
| | Total Sales | Proportion |
| Total of Sales to Top 5 Clients | 413,074,617.12 | 68.18% |

| Items | 31 December 2012 | |
|---|---|---|
| | Total Sales | Proportion |
| Total of Sales to Top 5 Clients | 447,910,657.61 | 70.85% |

24. Operating tax

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Urban construction and maintenance tax | 701,578.85 | 692,574.14 |
| Education surcharge | 501,127.77 | 494,695.81 |
| Business tax | 4,799.57 | 3,676.89 |
| Total | 1,207,506.19 | 1,190,946.84 |

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

25. Sales expense

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Transportation expense | 4,964,807.14 | 5,821,374.19 |
| Claim payment | 2,903,511.90 | 3,118,971.04 |
| Salary | 1,716,112.00 | 2,079,501.50 |
| Publicity expenses | 10,066.46 | 6,000.00 |
| Depreciation | 21,641.68 | 17,764.14 |
| Others | 854,988.64 | 1,104,333.50 |
| Total | 10,471,127.82 | 12,147,944.37 |

26. Administrative expense

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Salary | 30,178,169.06 | 47,684,169.25 |
| Repair charges of fixed assets | 18,972,403.68 | 21,496,256.73 |
| Rental charge of land use right | 4,022,430.05 | 4,593,944.00 |
| Depreciation and amortization | 2,335,798.80 | 3,819,031.36 |
| Other tax | 1,937,974.73 | 1,909,090.69 |
| The loss of inventories | 1,590,889.65 | 2,129,609.79 |
| Heating costs | 1,387,940.20 | 2,748,711.22 |
| Intermediary fees | 1,094,230.14 | 1,620,292.85 |
| Travel expenses | 959,665.48 | 1,212,667.37 |
| Business entertainment | 674,197.74 | 797,089.13 |
| Transportation expenses | 662,673.10 | 704,279.06 |
| Office expenses | 463,840.31 | 362,230.81 |
| Property insurance | 452,877.92 | 754,326.82 |
| Research and development costs | 23,570.00 | 137,722.39 |
| Others | 1,531,720.66 | 2,109,354.52 |
| Total | 66,288,381.52 | 92,078,775.99 |

27. Finance expenses

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Interests expenses | 23,554,789.32 | 27,895,789.58 |
| Less: Interest income | 351,098.94 | 359,417.64 |
| Exchange loss or profit | -4,486.08 | 105,428.58 |
| Bank charges | 654,141.98 | 317,755.68 |
| Total | 23,853,346.28 | 27,959,556.20 |

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

28. Assets impairment losses

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Provision of bad debts | -319,473.56 | 1,118,128.91 |
| Provision for impairment of inventories | - | 2,150,613.36 |
| Total | -319,473.56 | 3,268,742.27 |

29. Non-operating income

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Compensation and penalty receipt | 29,150.00 | 180,108.50 |
| Government subsidies | 95,991.32 | 73,537.85 |
| Others | 11,268.42 | 228,860.39 |
| Total | 136,409.74 | 482,506.74 |

30. Non-operating cost

| Items | 31 October 2013 | 31 December 2012 |
|---|---|---|
| Loss from disposal of non-current assets | 559,308.62 | 2,726,079.47 |
| The fund of flood | 632,179.37 | 867,251.24 |
| Compensation and penalty paid | - | 680,229.18 |
| Others | 415,446.42 | 16,700.00 |
| Total | 1,606,934.41 | 4,290,259.89 |

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

| Items | Current period |
|---|---|
| Interest income | 351,098.94 |
| Governmental subsidies | 95,991.32 |
| Compensation and penalty receipt | 29,150.00 |
| Others | 11,268.42 |
| Total | 487,508.68 |

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

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

| Items | Current period |
|---|---|
| Rental charge of land use right | 5,044,047.00 |
| Transportation expense | 5,627,480.24 |
| Claim payment | 2,991,591.90 |
| Heating costs | 1,387,940.20 |
| Intermediary fees | 1,094,230.14 |
| Travel expenses | 959,665.48 |
| Business entertainment | 674,197.74 |
| Flood control fund | 632,179.37 |
| Office expenses | 463,840.31 |
| Property insurance | 452,877.92 |
| Total | 19,328,050.30 |

33. Other cash paid relating to financing activities of current period, among:

| Items | Current period |
|---|---|
| Financial lease rental fee | 21,249,600.00 |

34. Notes to the Cash Flow Statement

| Items | Current period |
|---|---|
| (1) Cash flow generated from converting the net profit into the operating activities | |
| Net Profit | -29,177,749.21 |
| Add: Reserve for Assets Depreciation | -319,473.56 |
| Fixed Assets Depreciation | |
| | 20,137,881.08 |
| Amortization of Intangible Assets | 1,330,397.83 |
| 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 “-“) | - |
| Loss resulting from discarding the fixed assets (the income is filled with “-“) | 559,308.62 |
| Loss resulting from change of impartial value (the income is filled with “-“). | - |
| Financial Costs (the income is filled with “-“) | |
| | 22,569,314.58 |
| Investment Loss (income is filled with “-“) | - |
| Decrease of deferred income tax assets(the increase is filled with “-“) | - |

| Items | Current period |
|---|---|
| Increase of deferred income tax liabilities (Decrease is filled with "-") | - |
| Decrease of Inventories (increase is filled with "-") | -36,131,456.43 |
| Decrease of operational receivables (increase is filled with "-") | 4,437,615.15 |
| Increase of operational payables (decrease is filled with "-") | 27,520,606.49 |
| Others | - |
| Net Amount of Cash Flow Generated by Operating Activities | 10,926,444.55 |
| (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 | 57,816,450.19 |
| Less: Beginning Balance of Cash | 44,693,284.34 |
| Add: Ending balance of cash equivalents | - |
| Less: Beginning Balance of Cash Equivalent | - |
| Increase of cash and cash equivalents | 13,123,165.85 |

**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 2012 | | 31 October 2013 | |
|---|---|---|---|---|
| | 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 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 |
| MI Ninth Design & Research Institute Co.,Ltd. | Wholly-owned subsidiary of China FAW Corporation Limited's parent company |
| Changchun FAW TIANQI Hot Forging and Die Co., Ltd. | Wholly-owned subsidiary of China FAW Corporation Limited's parent company |
| Changchun FAW Comprehensive Utilization Co.,Ltd | 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 | 245,515,569.38 |
| FAW Volkswagen Automobile Co., Ltd. | Forging Sales | 64,768,509.91 |
| Harbin Light-duty truck Factory of FAW | Forging Sales | 6,134,017.41 |
| Tianjin FAW XIALI Automobile Co., Ltd | Forging Sales | 1,331,922.60 |
| Technical Centre of FAW | Forging Sales | 644,205.72 |
| Total | | 318,394,225.02 |

② Procurement and Labor Received

| Related Parties | Related Transaction | Transaction Amount |
|---|---|---|
| FAW Power Energy Branch Company | Procurement of kinetic energy | 44,000,739.35 |
| MI Ninth Design & Research Institute Co.,Ltd. | Constructions side | 19,600,000.00 |
| Changchun FAW TIANQI Hot Forging and Die | die | 15,191,846.91 |

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

| | | |
|---|---|---|
| Co., Ltd. | | |
| FAW Jiefang Automobile Co., Ltd. | Material | 2,219,230.79 |
| Total | | 81,011,817.05 |

③ Amount receivable from and payable to related parties

| Enterprise Name | 31 October 2013 | |
|---|---|---|
| | Amount | Proportion |
| Notes Receivable | | |
| Changchun FAW Comprehensive Utilization Co.,Ltd | 1,090,000.00 | 27.28% |
| FAW Jiefang Automobile Co., Ltd. | 500,000.00 | 12.51% |
| Engine Branch Company of FAW Jiefang Automobile Co., Ltd. | 100,000.00 | 2.50% |
| Harbin Light-duty truck Factory of FAW | 500,000.00 | 12.51% |
| Total | 2,190,000.00 | 54.80% |
| | | |
| Accounts Receivable | | |
| FAW Jiefang Automobile Co., Ltd. | 41,911,959.42 | 28.33% |
| FAW Volkswagen Automobile Co., Ltd. | 4,298,535.55 | 2.91% |
| Harbin Light-duty truck Factory of FAW | 2,258,554.32 | 1.53% |
| Changchun Gear Factory of FAW CAR Co., Ltd. | 2,232,749.27 | 1.51% |
| Tianjin FAW Xiali Automobile Co., Ltd | 36,984.92 | 0.02% |
| Technical Centre of FAW | 34,257.19 | 0.02% |
| Total | 50,773,040.67 | 34.32% |
| | | |
| Advance in Payable | | |
| FAW Power Energy Branch Company | 3,050,000.00 | 24.29% |
| | | |
| Accounts Payable | | |
| FAW Power Energy Branch Company | 40,550,541.30 | 15.02% |
| Changchun FAW Tianqi Hot Forging and Die Co., Ltd. | 5,869,165.46 | 2.17% |
| Warehouse Centre of FAW | 1,448,069.55 | 0.54% |
| FAW Foundry Co., Ltd. Foundry Model & Tooling | 1,094,450.06 | 0.41% |

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

| | | |
|---|---|---|
| Plant. | | |
| FAW Jiefang Automobile Co., Ltd. | 963,992.30 | 0.36% |
| Total | 49,926,218.67 | 18.50% |

| | | |
|---|---|---|
| Advance From Customers | | |
| FAW Import & Exports Corporation | 6,161.35 | 0.27% |

| | | |
|---|---|---|
| Other Payables | | |
| China FAW Corporation Limited | 11,075,360.00 | 63.30% |

**VIII. Contingent matters**

The company has no undisclosed significant insured matters.

**IX. Significant commitment**

The company has no undisclosed significant commitment.

**X. Other matters**

In Nov 1st, 2013, a stock right transferring contract had been signed between Bharat Forge Hong Kong Limited and the FAW Co., Ltd. The FAW Co., Ltd. bought the 51.85% shares of FAW Bharat Forge (Chang Chun) Co., Ltd. for Bharat Forge Hong Kong Limited and then became the sole controller of the company. The change of industrial and commercial registration to limited liability had been accomplished in Nov. 12, 2013, and the title is FAW Forge (Ji Lin) LLC, the legal representation is Huanming Qin.

## Bharat Forge America Inc.

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
| --- | --- | --- |
| Mr. B. N. Kalyani | 950 W Monroe St. Suite 600 | Plate & Moran, PLLC, |
| Mr. A. B. Kalyani | Jackson, MI 49202 | 1111, Michigan Ave, |
| Mr. S. E. Tandale | U.S.A. | East Lansing, |
| Mr. S. G. Joglekar | | Michigan 48823, |
| | | U.S.A. |

**Independent Auditor's Report**

To the Board of Directors
Bharat Forge America, Inc.

We have audited the accompanying financial statements of Bharat Forge America, Inc. (a wholly owned subsidiary of Bharat Forge, Ltd.) (the "Company"), which comprise the balance sheet as of December 31, 2013 and 2012 and the related statements of operations, stockholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 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 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 and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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 referred to above present fairly, in all material respects, the financial position of Bharat Forge America, Inc. as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter

As described in Note 1 to the financial statements, on May 2, 2013, the Company sold substantially all of its assets. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 5, 2014

**Bharat Forge America Inc.**

**Balance Sheet as on 31st December, 2013**

| | | | As at 31/12/2012 |
|---|---|---|---|
| | Rs. | USD | USD |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 27,313,256 | 454,465 | 1,448,925 |
| Accounts receivable | | | |
| Trade | 232,346 | 3,866 | 843,982 |
| Other | 9,819,466 | 163,386 | 9,622 |
| Inventories (Note 2) | 58,125,460 | 967,149 | 2,844,910 |
| Prepaid expenses and other current assets | 8,020,138 | 133,447 | 201,356 |
| Total current assets | 103,510,666 | 1,722,313 | 5,348,795 |
| **Equipment** - Net (Note 3) | 1,330,730 | 22,142 | - |
| **Deferred Financing Charges** - Net | - | - | 53,262 |
| **Assets held for sale (Note 3)** | - | - | 9,970,906 |
| **Total assets** | **104,841,396** | **1,744,455** | **15,372,963** |
| **Liabilities and Stockholder's Equity** | | | |
| **Current Liabilities** | | | |
| Trade accounts payable | 10,793,503 | 179,593 | 817,228 |
| Accounts payable - Related Party (Note 8) | 21,034,930 | 350,000 | - |
| Bank line of credit (Note 4) | - | - | 3,868,855 |
| Current portion of long-term debt (Note 5) | - | - | 4,489,608 |
| Related party note payable (Note 8) | 102,169,660 | 1,700,000 | 1,700,000 |
| Accrued liabilities: | | | |
| Accrued compensation | - | - | 173,285 |
| Accrued interest (Note 8) | 4,249,116 | 70,701 | 104,589 |
| Customer deposits & advances | - | - | 4,600,000.00 |
| Other accrued liabilities | - | - | 101,835 |
| Total current liabilities | 138,247,209 | 2,300,294 | 15,855,400 |
| **Long-Term Debt - Net of current portion (Note 5)** | - | - | 154,618 |
| **Stockholder's Equity** | (33,405,813) | (555,839) | (637,055) |
| **Total liabilities and stockholder's equity** | **104,841,396** | **1,744,455** | **15,372,963** |

**Statement of Operations for the period ended December 31, 2013**

| | | | Previous Year |
|---|---|---|---|
| | Rs. | USD | USD |
| Sales and Other Revenue | 153,207,252 | 2,549,214 | 20,442,804 |
| Cost of Sales | 180,806,522 | 3,008,438 | 21,174,030 |
| Gross Profit | (27,599,270) | (459,224) | (731,226) |
| Selling and Administrative Expenses | 53,123,355 | 883,919 | 2,157,391 |
| Operating Loss | (80,722,625) | (1,343,143) | (2,888,617) |
| Non operating Income (Expense) | | | |
| Other income | 3,068,455 | 51,056 | 104,486 |
| Interest expense | (10,739,654) | (178,697) | (540,003) |
| Total nonoperating income (expense) | (7,671,199) | (127,641) | (435,517) |
| **Loss before income taxes** | **(88,393,824)** | **(1,470,784)** | **(3,324,134)** |
| Income tax expense (Note 6) | 2,884,790 | 48,000 | - |
| **Net Loss** | **(91,278,614)** | **(1,518,784)** | **(3,324,134)** |

**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 January 1 , 2012** | 60 | 1 | 1,525,398,313 | 25,381,088 | (1,404,836,852) | (23,375,067) | 120,561,521 | 2,006,022 |
| Additional Capital Contributed | - | - | 40,931,388 | 681,057 | - | - | 40,931,388 | 681,057 |
| Net Loss | - | - | - | - | (199,779,789) | (3,324,134) | (199,779,789) | (3,324,134) |
| **Balance December 31 , 2012** | 60 | 1 | 1,566,329,701 | 26,062,145 | (1,604,616,641) | (26,699,201) | (38,286,880) | (637,055) |
| Additional Capital Contributed (Note 8) | - | - | 96,159,680 | 1,600,000 | - | - | 96,159,680 | 1,600,000 |
| Net Loss | - | - | - | - | (91,278,614) | (1,518,784) | (91,278,614) | (1,518,784) |
| **Balance December 31 , 2013** | 60 | 1 | 1,662,489,381 | 27,662,145 | (1,695,895,255) | (28,217,985) | (33,405,814) | (555,839) |

**Bharat Forge America Inc**

**Statement of Cash Flow for the period ended December 31 , 2013**

| | | | Previous Year |
|---|---|---|---|
| | **Rs.** | **USD** | **USD** |
| **Cash Flow from Operating Activities** | | | |
| Net Loss | (91,278,614) | (1,518,784) | (3,324,134) |
| Adjustments to reconcile net loss to net cash fom Operating Activities : | | | |
| Depreciation | 355,070 | 5,908 | 1,265,909 |
| (Gain) Loss On Disposal of property and equipment | (40,903,503) | (680,593) | 5,120 |
| Bad Debt Expense | - | - | 5,290 |
| Amortisation of Deferred Financing charges | 3,201,036 | 53,262 | 37,596 |
| Changes in operating assets and liabilities which provided (used) cash : | | | |
| Account Receivable | 41,249,618 | 686,352 | 2,254,677 |
| Inventory | 112,853,061 | 1,877,761 | 871,271 |
| Prepaid expense and other assets | 3,901,018 | 64,909 | 71,337 |
| Accounts Payable | (17,286,807) | (287,635) | (3,515,247) |
| Accrued and other liabilities | (18,391,020) | (306,008) | 29,009 |
| Customer deposits & advances | (180,299,400) | (3,000,000) | 4,600,000 |
| Net cash (used in) provided by operating acitivties | (186,599,541) | (3,104,828) | 2,300,828 |
| **Cash Flow from Investing Acitivities** | | | |
| Purchase of property, plant and equipment | - | - | (169,649) |
| Proceeds from disposition of property, plant and equipment | 638,467,160 | 10,623,449 | 216,950 |
| Net cash used in financing activity | 638,467,160 | 10,623,449 | 47,301 |
| **Cash Flow from Financing Acitivities** | | | |
| Payments on debt | (279,117,054) | (4,644,226) | (1,545,561) |
| Proceeds from revolving credit facilities - Net | (232,517,412) | (3,868,855) | - |
| Contribution of additional Paid- up Capital | - | - | 379,200 |
| Net cash provided by financing activities | (511,634,466) | (8,513,081) | (1,166,361) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (59,766,847) | (994,460) | 1,181,768 |
| **Cash and Cash Equivalents - Beginning of Year** | 87,080,103 | 1,448,925 | 267,157 |
| **Cash and Cash Equivalents - End of Year** | 27,313,256 | 454,465 | 1,448,925 |
| **Supplemental Cash Flow Information - cash paid for** | | | |
| Interest | 17,025,432 | 283,286 | 491,476 |
| Income taxes | 2,704,491 | 45,000 | 582,652 |

## Note 1 - Nature of Business and Significant Accounting Policies

Bharat Forge America, Inc. (the "Company") produced hot and near-net steel (carbon, alloy, and stainless) forgings. The Company utilized modern presses, using computer design and process controls, to produce precision and high-quality forgings and also produced 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.

Production activities ceased in December 2012. All production activities have been absorbed by overseas related party plants. During May 2013, the Company sold substantially all of its property and equipment assets (see Note 3). The Company is currently in the process of liquidating the remaining inventory.

**Major Customers** - Sales to Chrysler and American Axle were approximately $2,431,000 for the year ended December 31, 2013. There were no significant receivables due from these customers at December 31, 2013. Sales indirectly to General Motors through Lemforder Corporation were approximately $7,558,000 for the year ended December 31, 2012. There were no significant receivables due from Lemforder Corporation at December 31, 2012.

**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 as of December 31, 2012. There is no allowance for doubtful accounts as of December 31, 2013, as all receivables are expected to be collected.

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

**Equipment** - Equipment is recorded at cost. Assets are depreciated using the straight-line 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, 2013 and 2012.

**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 May 5, 2014, which is the date the financial statements were available to be issued.

## Note 2 - Inventories

Inventory consists of the following at December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Raw materials | $ - | $ 8,105 |
| Work in progress | - | 1,872,312 |
| Finished goods | 967,149 | 964,493 |
| Total inventory | $ 967,149 | $ 2,844,910 |

## Note 3 - Equipment

Equipment is summarized as follows:

| | 2013 | 2012 | Depreciabl Life - Years |
|---|---|---|---|
| Transportation equipment | $ 29,522 | $ - | 5 |
| Accumulated depreciation and impairment | 7,380 | - | |
| Net property, plant, and equipment | $ 22,142 | $ - | |

Depreciation expense on equipment was $5,908 and $1,265,909 for the years ended December 31, 2013 and 2012, respectively.

During 2012, as a result of declining customer demand, the Company decided to market all of its property, plant, and equipment for sale. As such, assets with a carrying value of $9,970,906 were reclassified in the Company's balance sheet as of December 31, 2012. Substantially all assets classified as held for sale in 2012 were sold on March 2, 2013.

## Note 4 - Line of Credit

Under a line of credit agreement with a bank, the Company had available borrowings of $3,900,000. The Company was not allowed to re-borrow any amounts repaid. Interest was payable in semiannual installments at the six-month LIBOR plus 4 percent (an effective rate of 4.74 percent as of December 31, 2012). The Company had borrowed $3,868,855 against its line of credit as of December 31, 2012. All outstanding debt was repaid in May 2013 and the line of credit was terminated.

## Note 5 - Long-term Debt

Long-term debt at December 31, 2013 and 2012 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Term loan to a bank, payable in semiannual installments of $1,500,000 beginning November 30, 2012. Interest was payable in semiannual installments at the six-month LIBOR plus 4 percent, for an effective rate of 4.74 percent at December 31, 2012. The note was paid in full in May 2013 | $ - | $ 4,440,032 |
| Other | - | 204,194 |
| Total | - | 4,644,226 |
| Less current portion | - | 4,489,608 |
| Long-term portion | $ - | $ 154,618 |

## Note 6 - Income Taxes

The components of the income tax provision included in the statement of operations include current federal income tax expense for 2013 of $48,000 associated with alternative minimum tax attributable to continuing operations with any remaining liability that would be determined in 2013 and 2012, by applying statutory rates, being offset 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, 2013 and 2012.

The income tax provision for 2013 and 2012 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:

| | 2013 | 2012 |
|---|---|---|
| Total deferred tax liabilities | $ - | $ (2,207,000) |
| Total deferred tax assets | 9,209,000 | 11,131,000 |
| Valuation allowance recognized for deferred tax assets | (9,209,000) | (8,924,000) |
| 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 carry forwards. The Company has loss carry forwards for tax purposes of approximately $23,700,000 that expire through 2032. Based on the level of historical taxable income, a valuation allowance has been recognized for the net deferred tax assets.

As of December 31, 2013 and 2012, 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, 2013 and 2012.

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 2009.

## Note 7 - Common Stock

Common stock consists of 3,000 authorized shares of $.01 par value stock. As of December 31, 2013 and 2012, there were 60 shares issued and outstanding.

## Note 8 - Related Party Transactions

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

**Accounts Payable** - The Company had accounts payable to its parent, Bharat Forge, Ltd. (BFL), totaling $350,000 at December 31, 2013, primarily for advances related to an agreement for the reimbursement of payroll costs associated with several Company employees. The Company had accounts payable to BFL, totaling $301,857, for inventory purchases and advances related to an agreement for the reimbursement of payroll costs associated with several Company employees forgiven on December 31, 2012. Due to the related party nature, the transaction has been reported as a contribution of equity.

**Notes Payable** - During the year ended December 31, 2011, the Company borrowed $1,700,000 from CDP Bharat Forge GmbH (CDP), 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' LIBOR plus 250 bps p.a., for an effective rate of 2.69 percent at December 31, 2013. At December 31, 2013 and 2012, the outstanding balance on the loan was $1,700,000.

During 2013, $1,600,000 of customer deposits were forgiven due to the customer's relationship with Bharat Forge Group. This transaction has been reported as a contribution of equity.

During the year ended December 31, 2012, the Company borrowed $379,200 from its sister company, Bharat Forge Scottish Stampings, Ltd. (BFSSL). Effective December 31, 2012, BFSSL forgave the entire outstanding debt. Due to the related party nature, the transaction has been reported as a contribution of equity.

Total related party interest expense for the year ended December 31, 2012 was approximately $52,000. There was no related party interest expense during the year ended December 31, 2013. There was accrued interest related to the note totaling $70,701 at December 31, 2013 and 2012.

**Note 9 - Termination Benefits**

Production activities ceased in December 2012. All production activities have been absorbed by overseas related party plants. During May 2013, the Company sold substantially all of its property and equipment assets (see Note 3). The Company is currently in the process of liquidating the remaining inventory. The Company plans to dispose of the remaining inventory by the end of 2014.

Costs incurred in connection with the restructuring are one-time benefits to employees who are involuntarily terminated. During 2013 and 2012, costs incurred for one-time employee benefits amounted to $33,000 and $618,000, respectively.

**Note 10 - 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 ($1,518,784 and $3,324,134 for the years ended December 31, 2013 and 2012, respectively). 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.

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

- The Company plans to liquidate all remaining inventory and use the proceeds to repay the Company's outstanding obligations as they come due.

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# 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 YEAR ENDED 31 MARCH 2014*

The directors present their report and financial statements for the year ended 31 March 2014.

**Principal activities**
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.

**Results and dividends**
The results for the year are set out on page 7.

**Directors**
The following directors have held office since 1 April 2013:

B N Kalyani
A B Kalyani
S G Joglekar
S E Tandale

**Auditors**
In accordance with the company's articles, a resolution proposing that Eacotts International Limited be reappointed as auditors of the company will be put at a 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting 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.

**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**
14 May 2014

# 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 year ended 31 March 2014 set out on pages 7 to 17. 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 3 - 4, 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit for the year 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# BHARAT FORGE INTERNATIONAL LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

## *FOR THE YEAR ENDED 31 MARCH 2014*

**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.

**Jeffrey Smith FCA (Senior Statutory Auditor)**
**for and on behalf of Eacotts International Limited**

14 May 2014

**Chartered Accountants**
**Statutory Auditor**

Grenville Court
Britwell Road
Burnham
Buckinghamshire
SL1 8DF

**Bharat Forge International Limited**

**Profit and Loss Account**
**for the year ended 31st March,2014**

| | Notes | Year ended 31st March 2014 Rs. | USD | Previous Year USD |
|---|---|---|---|---|
| Turnover | 2 | 9,179,583,893 | 152,739,009 | 105,527,149 |
| Cost of sales | | (8,940,839,060) | (148,766,536) | (103,214,676) |
| Gross profit | | 238,744,833 | 3,972,473 | 2,312,473 |
| Administrative expenses | | (86,131,608) | (1,433,143) | (1,029,051) |
| **Operating loss** | 3 | 152,613,225 | 2,539,330 | 1,283,422 |
| Other interest receivable & similar income | | 13,555,810 | 225,555 | 63,303 |
| Interest payable and similar charges | 4 | (13,594,575) | (226,200) | (104,073) |
| **Loss on ordinary activities before taxation** | | 152,574,460 | 2,538,685 | 1,242,652 |
| Tax on loss on ordinary activities | 5 | (35,458,882) | (590,000) | (306,662) |
| **Loss for the period** | 12 | **117,115,578** | **1,948,685** | **935,990** |

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 2014**

| | Notes | 2014 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|---|
| | | Rs. | Rs. | USD | USD | USD | USD |
| **Fixed assets** | | | | | | | |
| Tangible assets | 6 | | 3,736,944 | | 62,179 | | 90,606 |
| **Current assets** | | | | | | | |
| Stocks | 7 | 2,775,276,004 | | 46,177,791 | | 48,174,170 | |
| Debtors | 8 | 1,710,639,359 | | 28,463,312 | | 15,288,644 | |
| | | 191,298 | | 3,183 | | | |
| | | 4,486,106,661 | | 74,644,286 | | 63,462,814 | |
| Creditors : amount falling due within one year | 9 | (4,342,143,779) | | (72,248,889) | | (63,044,529) | |
| **Net current liabilities** | | | 143,962,882 | | 2,395,397 | | 418,285 |
| **Total assets less current liabilities** | | | 147,699,826 | | 2,457,576 | | 508,891 |
| | | | **147,699,826** | | **2,457,576** | | **508,891** |
| **Capital and reserves** | | | | | | | |
| Called up share capital | 11 | | 6,296,896 | | 104,774 | | 104,774 |
| Profit and loss account | 12 | | 141,402,930 | | 2,352,802 | | 404,117 |
| **Shareholders funds** | 13 | | **147,699,826** | | **2,457,576** | | **508,891** |

Approved by the Board and authorised for issue on 12 May 2014

S G Joglekar
**Director**

**Company Registration No. 07459638**

**Bharat Forge International Limited**

**Cash flow statement**
**for the year ended 31st March,2014**

| | Year ended 31st March 2014 | | | | Previous Year | |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | USD | USD | USD | USD |
| **Net cash flow from operating activities** | | 165,257,622 | | 2,749,720 | | (5,341,529) |
| **Returns of investments and servicing of finance** | | | | | | |
| Interest paid | (13,594,575) | | (226,200) | | (104,073) | |
| Interest received | 13,555,810 | | 225,555 | | - | |
| **Net cash outflow for returns on investments and servicing of finance** | | (38,765) | | (645) | | (104,073) |
| Taxation | | (41,178,460) | | (685,168) | | - |
| **Capital expenditure** | | | | | | |
| Payments to acquire tangible assets | (198,930) | | (3,310) | | (2,838) | |
| **Net cash outflow for capital expenditure** | | (198,930) | | (3,310) | | (2,838) |
| **Net cash outflow before management of liquid resources and financing** | | **123,841,467** | | **2,060,597** | | **(5,448,440)** |
| **Decrease in cash in the year** | | **123,841,467** | | **2,060,597** | | **(5,448,440)** |

**Notes to cash flow statement for the year ended 31st March 2014**

**A Reconciliation of operating loss to net cash outflow from operating activities**

| | 2014 | | 2013 |
|---|---|---|---|
| | Rs. | USD | USD |
| Operating (loss) / profit | 152,613,225 | 2,539,330 | 1,283,422 |
| Depreciation of tangible assets | 1,907,387 | 31,737 | 31,375 |
| (Increase)/ decrease in stocks | (2,775,276,004) | 1,996,379 | (21,688,884) |
| Increase in debtors | (778,239,101) | (12,949,113) | (8,864,735) |
| Increase in creditors within one year | 668,994,132 | 11,131,387 | 23,897,293 |
| **Net cash outflow from operating activities** | (2,730,000,361) | 2,749,720 | (5,341,529) |

**B Analysis of net debt**

| | 1 April 2013 | Cash flow | other non cash changes | 31 March 2014 |
|---|---|---|---|---|
| Net Cash | | | | |
| Cash at bank and in hand | - | 3,183 | | 3,183 |
| Bank overdraft in USD | (7,565,033) | 2,057,414 | - | (5,507,619) |
| Bank overdraft in INR | (454,656,970) | 123,841,467 | | (330,815,503) |
| | | 60.0998 | | |
| Bank deposits | - | - | - | - |
| **Net debt in USD** | **(7,565,033)** | 2,060,597 | - | (5,504,436) |
| **Net debt in INR** | (454,656,970) | 123,841,467 | | (330,815,503) |

**C Reconciliation of net cash flow to movement in net debt**

| | 2014 | | 2013 |
|---|---|---|---|
| | Rs. | USD | USD |
| Decrease in cash in the year | 123,841,467 | 2,060,597 | (5,448,440) |
| **Movement in net debt in the year** | 123,841,467 | 2,060,597 | (5,448,440) |
| Opening net debt | (454,656,970) | (7,565,033) | (2,116,593) |
| **Closing net debt** | (330,815,503) | (5,504,436) | (7,565,033) |

# BHARAT FORGE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## *FOR THE YEAR ENDED 31 MARCH 2014*

**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

**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.

**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.

**1.8 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.

## 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 | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| United States of America | 88,071,896 | 75,574,156 |
| Europe | 48,886,996 | 22,427,751 |
| United Kingdom | 15,780,117 | 7,525,242 |
| | 152,739,009 | 105,527,149 |

## 3 Operating profit

| | **2014** | **2013** |
|---|---|---|
| | **$** | **$** |
| Operating profit is stated after charging: | | |
| Depreciation of tangible assets | 31,737 | 31,375 |
| Loss on foreign exchange transactions | 632,904 | 66,312 |
| Operating lease rentals | 277,497 | 229,564 |
| Profit on foreign exchange transactions | - | - |
| Auditors remuneration | | |
| Audit | 42,452 | 23,984 |
| Taxation | 10,331 | 23,984 |
| Payroll and HR services | 1,518 | 2,469 |
| Other | - | 8,778 |

## 4 Investment income

| | **2014** | **2013** |
|---|---|---|
| | **$** | **$** |
| Other interest | 225,555 | 63,303 |

## 5 Interest payable

| | **2014** | **2013** |
|---|---|---|
| | **$** | **$** |
| On bank loans and overdrafts | 226,200 | 104,073 |

| 6 Taxation | 2014 $ | 2013 $ |
|---|---|---|
| **Domestic current year tax** | | |
| U.K. corporation tax | 590,000 | 120,000 |
| **Total current tax** | 590,000 | 120,000 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | - | 186,662 |
| | 590,000 | 306,662 |
| **Factors affecting the tax charge for the year** | | |
| Profit on ordinary activities before taxation | 2,538,685 | 1,242,652 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2013 - 24.00%) | 583,898 | 298,236 |
| Effects of: | | |
| Depreciation in excess of capital allowances | 6,102 | 7,412 |
| Tax losses utilised | - | (185,648) |
| | 6,102 | (178,236) |
| **Current tax charge for the year** | 590,000 | 120,000 |

**7 Tangible fixed assets**

| | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Cost** | | | | |
| At 1 April 2013 | 75,072 | 11,760 | 62,471 | 149,303 |
| Additions | 3,310 | - | - | 3,310 |
| At 31 March 2014 | 78,382 | 11,760 | 62,471 | 152,613 |
| **Depreciation** | | | | |
| At 1 April 2013 | 26,245 | 5,273 | 27,179 | 58,697 |
| Charge for the year | 16,313 | 2,930 | 12,494 | 31,737 |
| At 31 March 2014 | 42,558 | 8,203 | 39,673 | 90,434 |
| **Net book value** | | | | |
| At 31 March 2014 | 35,824 | 3,557 | 22,798 | 62,179 |
| At 31 March 2013 | 48,827 | 6,487 | 35,292 | 90,606 |

**8 Stocks**

| | 2014 | 2013 |
|---|---|---|
| | **$** | **$** |
| Finished goods, goods for resale and stock in transit | 46,177,791 | 48,174,170 |

| 9 Debtors | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Trade debtors | 20,639,548 | 9,016,627 |
| Amounts owed by parent and fellow subsidiary undertakings | 6,379,019 | 5,733,187 |
| Other debtors | 1,012,515 | 178,855 |
| Prepayments and accrued income | 432,230 | 359,975 |
| | 28,463,312 | 15,288,644 |

Amounts falling due after more than one year and included in the debtors above are:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Amounts owed by group undertakings | 4,293,434 | 3,797,325 |
| Other debtors | 173,197 | 158,272 |
| | 4,466,631 | 3,955,597 |

| 10 Creditors: amounts falling due within one year | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Bank loans and overdrafts | 5,507,619 | 7,565,033 |
| Trade creditors | 2,807,130 | 514,755 |
| Amounts owed to parent and fellow subsidiary undertakings | 63,405,043 | 54,600,545 |
| Corporation tax | 250,387 | 120,000 |
| Other taxes and social security costs | 16,821 | 12,560 |
| Other creditors | 119,241 | 153,925 |
| Accruals and deferred income | 142,648 | 77,711 |
| | 72,248,889 | 63,044,529 |

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.

| 11 Share capital | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 64,000 Ordinary shares of £1 each | 104,774 | 104,774 |

**12 Statement of movements on profit and loss account**

| | Profit and loss account $ |
|---|---|
| Balance at 1 April 2013 | 404,117 |
| Profit for the year | 1,948,685 |
| Balance at 31 March 2014 | 2,352,802 |

**13 Reconciliation of movements in shareholders' funds**

| | 2014 $ | 2013 $ |
|---|---|---|
| Profit for the financial year | 1,948,685 | 935,990 |
| Opening shareholders' funds | 508,891 | (427,099) |
| Closing shareholders' funds | 2,457,576 | 508,891 |

**14 Employees**

**Number of employees**
The average monthly number of employees (excluding directors) during the year was:

| | 2014 Number | 2013 Number |
|---|---|---|
| Administration | 7 | 7 |

| **Employment costs** | 2014 $ | 2013 $ |
|---|---|---|
| Wages and salaries | 244,797 | 350,615 |
| Social security costs | 24,233 | 32,036 |
| | 269,030 | 382,651 |

**15 Control**

The company is controlled by Bharat Forge Beteiligungs GmbH, the immediate parent company. The ultimate controlling party is Bharat Forge Limited, a company incorporated in India.

**16 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.

The group accounts are available at Bharat Forge Limited, Pune Cantonment, Mundhwa, Pune - 411 036 India and on the company's website www.bharatforge.com

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## BF-NTPC Energy Systems Limited

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. B. N. Kalyani | 14th Floor, Antariksha Bhavan, | S. N. Dhawan & Co |
| Mr. A. B. Kalyani | 22, Kasturba Gandhi Marg, | Chartered Accountants |
| Mr. N. N. Misra | New Delhi - 110 001. | C37, Connaught Place, |
| Mr. S. K. Chaturvedi | | New Delhi 110 001 |
| Mr. G. J. Deshpande | | |
| Mr. S. C. Pandey | | |

## DIRECTORS' REPORT

**To,**
**The Members,**
**BF-NTPC Energy Systems Limited**

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2013 up to March 31, 2014.

### FINANCIAL HIGHTLIGHTS

During the financial year company has incurred a Net Loss of Rs.(**63,31,465/-**). The financial results are summarized here under:

(Amount in Rupees)

| **Particulars** | **As on March 31, 2014** | **As on March 31, 2013** |
|---|---|---|
| Net Sales | NIL | NIL |
| Other Income | 10,202 | 1,24,042 |
| **Total Revenue** | **10,202** | **1,24,042** |
| Employee Benefits Expenses | 34,60,447 | 35,42,111 |
| Operating and Other Expenses | 27,98,298 | 44,95,158 |
| **Total Expenses** | **62,58,745** | **80,37,269** |
| PBDIT | (62,48,543) | (79,13,227) |
| Depreciation/Amortization | 82,922 | 4,71,708 |
| PBIT | (63,31,465) | (83,84,935) |
| Current Tax | NIL | NIL |
| PAT | (63,31,465) | (83,84,935) |
| **Net Profit/(Loss)** | **(63,31,465)** | **(83,84,935)** |
| Basic and Diluted Earnings Per Share | (0.53) | (0.70) |

### Dividend

In view of losses incurred by the company during the year, no dividend is recommended for the year ended March 31, 2014.

### REVIEW OF ACTIVITIES OF THE COMPANY

- **Background:**

  During the 2007-08, there was promising scenario for power and related sector which paved the way for planning for the formation of this Company. The projected capacity addition during the 11$^{th}$ Plan period was 74374 MW (including renewable) and 94,215 MW (including renewable) during the 12$^{th}$ Plan period to be followed by 1,23,900 MW (including renewable) during 13th Plan. This capacity addition program of Government of India coupled with greater emphasis by the government to develop the indigenous manufacturing capacities of power plant equipment led to an overall commitment by the Indian industry to have an indigenous main plant equipment capacity of the order of plus 30,000 MW.

Considering the promising scenario the Company had also aligned its manufacturing plans for the shortlisted products of Casting, Pumps and Valves, HP Pipes, Piping solutions etc, to cater to this demand supported by the new main plant equipment manufacturing capabilities created by the Indian industry in power and allied fields.

- **Recent Developments:**

  In the recent past thermal power capacity addition program has suffered a major setback due to a variety of reasons including slow environment clearance of new project, non availability of land, shortage of Indian coal and costly imported coal. The non availability/ costly imported coal have greatly impacted the economics of some of the newly built plants in the power sector and some of the private developers are facing serious financial constraints.

  The Board has undertaken a comprehensive review of the business case of the Company and suggested the partners, i.e. Bharat Forge Limited (BFL) and NTPC Limited (NTPC) to decide the further course of actions in this relation.

**DIRECTORS**

During the financial year Mr. Girish Jagannath Deshpande was nominated by NTPC Limited as Director in place of Mr. Bhajan Pratap Singh, who has been nominated as Director, retired from NTPC Limited w.e.f September 30, 2013.

Mr. Girish Jagannath Deshpande, an Additional Director of the Company whose term of office expires at the Annual General Meeting shall be appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

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.

**MANAGER**

Mr. Tushar Vasantrao Mane, Manager of the Company has resigned from the Office of the Company w.e.f. 22nd March, 2014. Subsequently, Board of Directors of the Company in their meeting held on March 29, 2014 has appointed Mr. Vijaykumar K. Neginal as the Manager

of the Company for a period of three years with effect from March 23, 2014 up to March 22, 2017.
Mr. Neginal shall be entitled to an all inclusive remuneration of Rs.3,76,500/- (Rupees Three Lac Seventy Six Thousand Five Hundred Only) per annum with annual/mid-term increment as per the employment rules/ policies of the Company and as approved by the Board.

The remuneration payable to Mr. Neginal was further approved by Remuneration Committee in its meeting held on March 29, 2014.

**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, 2014, 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, 2014;

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, 2014 on a "going concern basis".

**AUDITORS AND AUDITORS' REPORT**

M/s. S. N. Dhawan & Co., Chartered Accountants, Auditors of the Company, holds 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 nor 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 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. Further, your Directors wish to thank both its promoters (viz: BFL Group and NTPC Group) for their ongoing valuable support in relation to the company.

**FOR AND ON BEHALF OF THE**
**BOARD OF DIRECTORS**

| | | |
|---|---|---|
| **Place: New Delhi** | **Sunil Kumar Chaturvedi** | **Mr. Narendra Nath Misra** |
| **Date: May 7, 2014** | **Director** | **Director** |

## 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 and forming part of the Directors' Report for the year ended March 31, 2014:**

### (A) Conservation of Energy

a. **Energy Conservation measures taken during 2013-2014**
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: New Delhi** | **Sunil Kumar Chaturvedi** | **Mr. Narendra Nath Misra** |
| **Date: May 7, 2014** | **Director** | **Director** |

# INDEPENDENT AUDITOR'S REPORT

**To**
**The Members of BF-NTPC Energy Systems Limited**

## Report on the Financial Statements

We have audited the accompanying financial statements of **BF-NTPC Energy Systems Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2014;
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 the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

    a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account

    d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;

    e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For S.N. Dhawan & Co.**
**Chartered Accountants**
**Firm Registration No. 000050N**

**Vijay Dhawan**

**Partner**

**Membership No. 12565**

Place: New Delhi

Date: May 7, 2014

**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 program 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) The Company has disposed off certain assets consequent to shifting of the office during the year. In our opinion, this disposal has not triggered the risk of going concern assumption being no longer appropriate.

(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.

(iii) (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) 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 has not started its operations till the date of the balance sheet. The internal audit system is departmentally organized.

(viii) The Company has not started its operations till the date of the balance sheet. Accordingly, clause 4(viii) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(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 at source and any other material statutory dues as applicable with the appropriate authorities.

(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 accumulated losses at the end of the financial year are more than fifty percent of the net worth and the Company has incurred cash losses in the current financial year as well as in the immediately preceding financial year.

(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: May 7, 2014

**BF-NTPC ENERGY SYSTEMS LIMITED**
**BALANCE SHEET AS AT MARCH 31, 2014**

| | Notes | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | 120,000,000 | 120,000,000 |
| Reserves and surplus | 2 | (66,735,020) | (60,403,554) |
| | | **53,264,980** | **59,596,446** |
| **Non-current liabilities** | | | |
| Long-term provisions | 5 | 134,077 | 134,077 |
| Other non-current liabilities | 4 | - | - |
| | | **134,077** | **134,077** |
| **Current liabilities** | | | |
| Trade Payables | 3 | 1,178,829 | 1,293,535 |
| Other current liabilities | 4 | 5,327,922 | 1,273,493 |
| Short-term provisions | 5 | 185,549 | 174,724 |
| | | **6,692,300** | **2,741,752** |
| **Total** | | **60,091,357** | **62,472,275** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 6 | **59,847,724** | **61,490,050** |
| -Tangible Assets | | 59,847,724 | 61,490,050 |
| Long-term loans and advances | 7 | 11,478 | 132,127 |
| | | **59,859,202** | **61,622,177** |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 232,155 | 839,536 |
| Short-term loans and advances | 7 | - | 10,562 |
| | | **232,155** | **850,098** |
| **Total** | | **60,091,357** | **62,472,275** |

Significant accounting policies 13
Other Notes to Account 12 and 14 to 21
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**

**Sunil K Chaturvedi**
**Director**

**Narendra N Misra**
**Director**

**Jagmohan Bijalwan**
**Company Secretary**

**Place: New Delhi**
**Date: May 7, 2014**

## BF-NTPC ENERGY SYSTEMS LIMITED
## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

| | Notes | Year Ended March 31, 2014 Amount in Rs. | Year Ended March 31, 2013 Amount in Rs. |
|---|---|---|---|
| **Income** | | | |
| Other income | 9 | 10,202 | 124,042 |
| **Total Revenue (I)** | | **10,202** | **124,042** |
| **Expenses:** | | | |
| Employee benefits expense | 10 | 3,460,447 | 3,542,111 |
| Other expenses | 11 | 2,798,298 | 4,495,158 |
| Depreciation expense | 6 | 82,922 | 471,708 |
| **Total (II)** | | **6,341,668** | **8,508,977** |
| **Profit / (Loss) before tax ( I) - ( II)** | | (6,331,466) | (8,384,935) |
| Current income tax | | - | - |
| **Net Profit / (Loss) for the year** | | **(6,331,466)** | **(8,384,935)** |
| **Earning per share (Refer Note 13(k) and 20)** | | | |
| Basic & Diluted [Nominal Value of shares of Rs. 10 (Previous year Rs. 10)] | | (0.53) | (0.70) |

| | |
|---|---|
| Significant accounting policies | 13 |
| Other Notes to Account | 12 and 14 to 21 |

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**

**Sunil K Chaturvedi**
**Director**

**Narendra N Misra**
**Director**

**Jagmohan Bijalwan**
**Company Secretary**

**Place: New Delhi**
**Date: May 7, 2014**

**BF-NTPC ENERGY SYSTEMS LIMITED**
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

| | Notes | Year Ended March 31, 2014 Amount in Rs. | Year Ended March 31, 2013 Amount in Rs. |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit/(Loss) as per Statement of Profit and Loss | | (6,331,465) | (8,384,935) |
| *Non-cash adjustment to reconcile profit before tax to net cash flows* | | | |
| Depreciation | | 82,922 | 471,708 |
| Interest received | | (10,202) | (124,042) |
| Loss on sale of fixed assets (Net of Gain) | | 1,199,451 | - |
| Operating profit before Working Capital Changes | | **(5,059,294)** | **(8,037,269)** |
| Movements in working capital : | | | |
| Increase/(decrease) in other current liabilities | | 3,950,548 | (106,242) |
| Increase/(decrease) in other long term liabilities | | - | 63,933 |
| Decrease / (increase) in short-term loans and advances | | 10,562 | 914,905 |
| Decrease / (increase) in other assets | | - | 51,563 |
| Decrease / (increase) in long term loans & advances | | 120,649 | 335,943 |
| **Net cash flow used in operating activities** | **(A)** | **(977,535)** | **(6,777,167)** |
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets | | - | (630,600) |
| Interest received | | 10,202 | 124,042 |
| Sale of assets | | 359,952 | - |
| **Net cash flow used in investing activities** | **(B)** | **370,154** | **(506,558)** |
| **Net cash flow used in financing activities** | **(C)** | **-** | **-** |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | | (607,380) | (7,283,726) |
| Cash and cash equivalents at the beginning of the year | | 839,536 | 8,123,261 |
| **Cash and cash equivalents at the end of the year** | | **232,156** | **839,536** |
| **Components of cash and cash equivalents** | | | |
| Cash on hand | | 230 | 820 |
| Imprest Account | | | - |
| Balances with banks: | | | - |
| - On current accounts | | 231,925 | 838,716 |
| - Deposits | | | - |
| **Total cash and cash equivalents** (Note 8) | | **232,155** | **839,536** |

| | |
|---|---|
| Significant accounting policies | 13 |
| Other Notes to Account | 12 and 14 to 21 |

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**

**For and on behalf of the board of directors of**
**BF-NTPC Energy Systems Limited**

**Vijay Dhawan**
**Partner**
**Membership No. 12565**

**Sunil K Chaturvedi**
**Director**

**Narendra N Misra**
**Director**

**Jagmohan Bijalwan**
**Company Secretary**

**Place: New Delhi**
**Date: May 7, 2014**

| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
|---|---|---|
| **1 SHARE CAPITAL** | | |
| **Equity Share Capital** | | |
| **Authorised shares** | | |
| 25,000,000 [Previous year: 25,000,000 equity shares of Rs. 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 Rs. 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 outstanding at the beginning and at the end of the reporting period**

**Equity shares**

| | March 31, 2014 | | March 31, 2013 | |
|---|---|---|---|---|
| | No. | Amount in Rs. | No. | Amount in Rs. |
| At the beginning of the period | 12,000,000 | 120,000,000 | 12,000,000 | 120,000,000 |
| Issued during the period | - | - | - | - |
| Outstanding at the end of the period | 12,000,000 | 120,000,000 | 12,000,000 | 120,000,000 |

**b. Terms and rights attached to equity shares**

(i) The Company has only one class of equity shares having a par value of Rs. 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. Shares held by holding/ultimate holding company and/or their subsidiaries/associates**

| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
|---|---|---|
| Bharat Forge Limited, Holding Company<br>6,120,000 Equity shares (Previous year 6,120,000) at Rs. 10 each | 61,200,000 | 61,200,000 |
| NTPC Limited, Venturer Company<br>5,880,000 Equity shares (Previous year 5,880,000) at Rs. 10 each | 58,800,000 | 58,800,000 |

**d. Details of shareholders holding more than 5% shares in the Company**

| | March 31, 2014 | | March 31, 2013 | |
|---|---|---|---|---|
| | 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, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
|---|---|---|
| **2 RESERVES AND SURPLUS** | | |
| **Surplus/ (deficit) in the statement of profit and loss** | | |
| Balance as per last financial statements | (60,403,554) | (52,018,619) |
| Add: Loss for the year | (6,331,466) | (8,384,935) |
| Net surplus / (deficit) | **(66,735,020)** | **(60,403,554)** |

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
| **3 TRADE PAYABLES** | | | | |
| Sundry Creditors | | | | |
| : due towards micro and small enterprises (Refer Note 15) | - | - | - | - |
| : due towards others | - | - | 1,178,829 | 1,293,535 |
| | - | - | **1,178,829** | **1,293,535** |
| **4 OTHER LIABILITIES** | | | | |
| Statutory liabilities | - | - | 100,447 | 37,969 |
| Other liabilities | | | 5,227,475 | 1,235,524 |
| | - | - | **5,327,922** | **1,273,493** |

| | Long-term | | Short-term | |
|---|---|---|---|---|
| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
| **5 PROVISIONS** (Refer Note 13(g) and 19) | | | | |
| Provision for gratuity | 134,077 | 134,077 | - | - |
| Provision for leave encashment | - | - | 185,549 | 174,724 |
| | **134,077** | **134,077** | **185,549** | **174,724** |

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**NOTE - 6**
**FIXED ASSETS**
[Refer Note 13 (c)]

**Amount in Rs.**

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2013 | Additions for the year | Deletions/ Adjustment | As at March 31, 2014 | As at April 1, 2013 | For the year | Adjustments for the year | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| **Tangible Assets** | | | | | | | | | | |
| Freehold Land | 59,674,194 | - | - | 59,674,194 | - | - | - | - | 59,674,194 | 59,674,194 |
| Information Technology Equipments | 577,727 | - | 29,763 | 547,964 | 406,141 | 68,634 | 11,911 | 462,864 | 85,100 | 171,586 |
| Furniture & Fixtures | 3,490,671 | - | 3,490,671 | - | 1,949,119 | - | 1,949,119 | - | - | 1,541,552 |
| Office Equipment | 162,169 | - | - | 162,169 | 59,451 | 14,288 | - | 73,739 | 88,430 | 102,718 |
| **Total** | **63,904,761** | **-** | **3,520,434** | **60,384,327** | **2,414,711** | **82,922** | **1,961,030** | **536,603** | **59,847,724** | **61,490,050** |
| Previous year | 63,274,161 | 630,600 | - | 63,904,761 | 1,943,003 | 471,708 | - | 2,414,711 | 61,490,050 | |

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| | Long-Term | | Short-Term | |
|---|---|---|---|---|
| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
| **7 LOANS AND ADVANCES** | | | | |
| (Unsecured considered good, unless otherwise stated) | | | | |
| Advances recoverable in cash or kind or value to be received | - | - | - | 10,562 |
| Advance income-tax (net of provision for taxation) | 11,478 | 132,127 | - | - |
| | **11,478** | **132,127** | **-** | **10,562** |

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. | As at March 31, 2014 Amount in Rs. | As at March 31, 2013 Amount in Rs. |
| **8 CASH AND CASH EQUIVALENTS** | | | | |
| Cash on hand | - | - | 230 | 820 |
| Balances with banks: | | | | |
| - On current accounts | - | - | 231,925 | 838,716 |
| | **-** | **-** | **232,155** | **839,536** |

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| | | Year Ended March 31, 2014 Amount in Rs. | Year Ended March 31, 2013 Amount in Rs. |
|---|---|---|---|
| **9** | **OTHER INCOME** | | |
| | Interest income on Bank deposits | - | 114,779 |
| | Other interest income | 10,202 | 9,263 |
| | | **10,202** | **124,042** |
| **10** | **EMPLOYEE BENEFITS EXPENSE** | | |
| | Salaries, wages and bonus | 3,460,007 | 3,447,240 |
| | Long Term Employee Benefits (Refer Note 19) | - | 92,779 |
| | Staff welfare expenses | 440 | 2,092 |
| | | **3,460,447** | **3,542,111** |
| **11** | **OTHER EXPENSES** | | |
| | Rent (Refer Note 18) | 576,000 | 2,280,885 |
| | Rates and taxes | - | 5,620 |
| | Repairs to buildings (leasehold) | 234,600 | 510,522 |
| | Printing & Stationery | 1,542 | 18,002 |
| | Office expenses | 68,200 | - |
| | Travelling and conveyance | 5,438 | 165,163 |
| | Communication costs | 39,479 | 43,393 |
| | Legal and professional fees | 536,942 | 1,168,264 |
| | Auditor's remuneration (Refer Note 16) | 116,340 | 119,045 |
| | Site expenses | - | 45,080 |
| | Business Promotion | - | 77,727 |
| | Loss on sale of fixed assets(net of gain) | 1,199,451 | - |
| | Insurance expenses | 16,018 | - |
| | Miscellaneous expenses | 4,288 | 61,457 |
| | | **2,798,298** | **4,495,158** |

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## 12. 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.

## 13. 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 Rs. 5,000 individually have been fully depreciated in the year of purchase.

Assets costing up to Rs. 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.

**14.** The Company has not commenced its operations as of the balance sheet date. The expenses incurred upto March 31, 2014 are considered as not directly related to the acquisition of an asset and are thus charged to the statement of profit and loss.

**15.** 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, 2014 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.

## 16. Auditor's Remuneration

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|---|---|
| | Rs. | Rs. |
| Statutory Audit Fee* | 112,360 | 112,360 |
| Out of pocket expense | 3,980 | 6,685 |
| **Total** | **116,340** | **119,045** |

*Inclusive of service tax

## 17. Related Party Disclosure:

### A. Detail of related parties (as certified by management):

| | |
|---|---|
| **Key Managerial Personnel** | **Directors:**<br>Babasaheb Neelkanth Kalyani<br>Amit Babasaheb Kalyani<br>Sunil Kumar Chaturvedi<br>Narendra Nath Misra<br>Girish Jagannath Deshpande<br>Subhash Chandra Pandey<br><br>**Manager:**<br>Vijay Kumar K. Neginal<br>Tushar Mane (Till March 22,2014) |
| **Fellow Subsidiary** | BF Infrastructure Limited |
| **Joint Venture of Fellow Subsidiary** | Ferrovia Transrail Solutions Private Limited |
| **Holding Company** | Bharat Forge Limited |
| **Venturer Company** | NTPC Limited |

**Transactions with Related Parties during the year are as under:**

| Particulars | Holding Company | | Venturer Company | | Fellow Subsidiary | | Joint Venture of fellow subsidiary | | Key Management Personnel | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| **A. Transactions during the year** | | | | | | | | | | | | |
| **Reimbursement of expenses** | **-** | **-** | **-** | **-** | **3,867,518** | **-** | **-** | **-** | **-** | **-** | **3,867,518** | **-** |
| B.F. Infrastructure Limited | - | - | - | | 3,867,518 | - | - | - | - | - | 3,867,518 | - |
| **Employee benefit expense** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,532,354** | **43,295** | **1,532,354** | **43,295** |
| Vijay Kumar K. Neginal | - | - | - | - | - | - | - | - | 5,929 | - | 5,929 | - |
| Tushar Mane | - | - | - | - | - | - | - | - | 1,532,354 | 43,295 | 1,532,354 | 43,295 |
| **B. Outstanding balances at the year end** | | | | | | | | | | | | |
| **Balance payable** | - | - | **1,178,829** | **1,178,829** | **4,335,515** | **467,997** | **18,381** | **18,381** | **-** | **-** | **5,532,725** | **1,665,207** |
| NTPC Limited | - | - | 1,178,829 | 1,178,829 | - | - | - | - | - | - | 1,178,829 | 1,178,829 |
| B.F. Infrastructure Limited | - | - | - | - | 4,335,515 | 467,997 | - | - | - | - | 4,335,515 | 467,997 |
| Ferrovia Transrail Solutions Private Limited | - | - | - | - | - | - | 18,381 | 18,381 | - | - | 18,381 | 18,381 |
| **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 |

## 18. Operating lease:

The Company had taken building on lease for corporate office in NOIDA. Rent recognized during the year 2013-14 amounted to Rs. 576,000 (Previous Year Rs. 2,280,885). The total of future minimum lease payments under such lease is Rs. Nil, (Previous Year Rs. Nil).

## 19. Retirement and other employee benefits

The Company has made a provision of Rs. Nil, (Previous Year Rs. 92,779) towards estimated gratuity for all the employees existing as on March 31, 2014 on the assumption that they shall continue rendering service for 5 years. However, no actuarial valuation has been under taken to estimate the same.
Leave encashment liability as at March 31, 2014 has been estimated by management to the tune of Rs. 10,825 (Previous Year Rs. 73,147).

## 20. Earnings per share

| Particulars | Units | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|---|---|---|
| Net profit/(Loss) attributable to shareholders | Rs. | (6,331,466) | (8,384,935) |
| Weighted average number of equity shares in issue | Nos. | 12,000,000 | 12,000,000 |
| Basic earnings per share of Rs. 10 each | Rs. | (0.53) | (0.70) |

## 21. Previous year's comparatives

Previous year figures have been regrouped where necessary to make them comparable to the current year's figures.

**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**

**Sunil K Chaturvedi**
Director

**Narendra N Misra**
Director

Place: New Delhi

Date: May 7, 2014

**Jagmohan Bijalwan**
Company Secretary

## BF Infrastructure Limited

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. Kishore Mukund Saletore | Pune Cantonment, | RMA & Associates |
| Mr. Sandeep Kapoor | Mundhwa, | Chartered Accountants |
| Mr. Om Parkash Maken | 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 Sixth Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2013 up to March 31, 2014.

**FINANCIAL HIGHTLIGHTS**

During the financial year company has incurred a Net Loss of Rs. **(226,049,061.60)**. The financial results are summarized here under:

(Amount in Rupees)

| Particulars | As on March 31, 2014 | As on March 31, 2013 |
|---|---|---|
| **REVENUE** | | |
| Revenue from operations | 3,881,141,834.23 | - |
| Other income | 18,457,744.41 | 5,643,607.02 |
| **Total Revenue:** | **3,899,599,744.64** | **5,643,607.02** |
| **EXPENSES** | | |
| Project Expenses | 4,121,689,955.24 | - |
| Generation, administration & other expenses | 860,874.21 | 710,097.80 |
| Finance costs | 25,425.61 | 114,133.51 |
| Depreciation and amortization expense | 3,909,362.18 | 4,721,807.15 |
| **Total expenses:** | **4,126,485,617.24** | **5,546,038.46** |
| Profit before exceptional and extraordinary items & tax | (226,886,038.60) | 97,568.56 |
| **Exceptional Items** | 840,704.00 | - |
| Profit before extraordinary items and tax | (226,045,334.60) | 97,568.56 |
| **Extraordinary Items:** | - | - |
| Profit before tax | (226,045,334.60) | 97,568.56 |
| **TAX EXPENSE** | | |
| Current tax | - | - |
| Deferred tax | 3,727.00 | (1,021,199.00) |
| Profit for the period from continuing operation | (226,049,061.60) | 1,118,767.56 |
| Profit/ (Loss) from discontinuing operations | - | - |
| Tax expense of discontinuing operations | - | - |
| Profit/(Loss) from discontinuing operations (after tax) | - | - |
| Profit/(Loss) for the period | **(226,049,061.60)** | **1,118,767.56** |
| Basic/ Diluted Earnings / (Loss) per Share | (22.60) | 0.14 |

**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, 2014.

**SHARE CAPITAL**

**Authorised share capital**

The Authorised Capital of the Company as on date is Rs. 40,00,00,000/- (Rupees Forty Crore) divided into 18,00,00,000 (Eighteen Crore) Equity Shares of Rupees 10/- (Rupees Ten) each and 22,00,00,000 (Twenty Two Crore) 6% Non-Cumulative Redeemable Preference Share.

**Paid-up Share Capital**

The paid up share capital of the Company is Rs. 31,81,40,500/- (Thirty One Crore Eighty One Lac Forty Thousand Five Hundred) divided into 1,00,00,000 (One Crore) Equity Shares of Rupees 10/-(Rupees Ten) each and 2,18,14,050 (Two Crore Eighteen Lac Fourteen Thousand Fifty) 6% Non-Cumulative Redeemable Preference Share.

**BACKGROUND AND REVIEW OF ACTIVITIES**

- **Indian Power Corporation (Haldia) Limited (IPCHL) Project.**

  Your Company had 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.

  Further, your Company is currently supplying Power Equipments (Valves, Boiler Components etc.) sourced from Bharat Heavy Electricals Limited (BHEL) to IPC(H)L.

- **Oil & Gas Exploration Project:**

  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. The consortium has been awarded Block CB-ONN-2010/11 and Block CB-ONN-2010/08 in Cambay Basin of a 131 Sq. KM. and 42 Sq. KM. respectively. Work for exploration and development of these blocks has already commenced and 3D Seismic Survey for Block CB-ONN-2010/11 is at advanced stage.

- **DFCC Track Laying Project:**

  Your Company had formed a Joint Venture Company named Ferrovia Transrail Solutions Private Limited (FTSPL) with PNC Infratech Limited, while the later having majority stake in the Joint Venture Company. FTSPL has secured/won the Project of Design, procurement, Construction of Track and track related works and its testing & commissioning for double track electrified railway line on a Design Build Lump Sum Basis from New Karwandiya (Rly. Km. 564) to Durgawati (Rly. Km. 630) approx. 66 KMs on Mughalsarai-Sonnagar Section of Eastern Dedicated Freight Corridor (Project) as floated by the Dedicated Freight Corridor Corporation of India Limited (DFCCIL).

Currently, FTSPL has completed 52 Track Kilo Meters (TKMs) out of total project of 142 TKMs. It has also achieved the First Mile Stone of 20 TKMs on February 25, 2014.

- **Railway Electrification Project:**

  Your Company (BFIL) has formed a Joint Venture named BFIL-CEC JV with JV Partner Cimechel Electrical Co. and has jointly participated in the bidding process for TENDER NOTICE NO.: ELCORE/T/OHE/Gr.168(Mod) in May, 2013 The Joint Venture has been awarded the work of "Design, Supply, Erection, Testing & Commissioning of 25 kV, 50 Hz, Single Phase, AC Electrification works including OHE, TSS & SCADA" as composite Electrical tender in Andal(Excl.) –Sitarampur (Excl.) via Jamuria - Ikhra section, Gr.168 of Asansol Division of Eastern Railway under RE Project Bhubneswar, Total 57 RKM / 94.1 TKMs (Project).

  Contract for the Project was executed on March 11, 2014, work order for Civil Works has been awarded and certain and civil works are in advanced stage.

**DIRECTORS**

During the financial year Mr. Sandeep Kapoor and Mr. Om Parkash Maken was appointed as Additional Directors of the Company in place of Mr. Amit Babasaheb Kalyani and Mr. Sunil Kumar Chaturvedi, Directors of the Company.

Pursuant to Section 152 of the Companies Act, 1956, Mr. Sandeep Kapoor and Mr. Om Parkash Maken, Additional Directors of the Company whose term of office expires at the Annual General Meeting shall be appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

In accordance with 152(6) of the Companies Act, 2013 and Articles of Association of the Company, Mr. Kishore Mukund Saletore, Director of the Company, retire by rotation and, being eligible, offer 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 (corresponding to 134(5) of the Companies Act, 2013), 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, 2014, 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, 2014;

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, 2014 on a "going concern basis".

**AUDITORS AND AUDITORS' REPORT**

M/s RMA & Associates, Chartered Accountants, Auditors of the Company, holds 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 139 read with Section 141 of the Companies Act, 2013, and that they are not disqualified for such appointment within the meaning of Section 141 of the Companies Act, 2013.

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 corresponding to Section 134 of the Companies Act, 2013.

**SUBSIDIARY COMPANY**

The Company did not have any subsidiary Company during the period under review.

**FIXED DEPOSITS**

The Company has neither accepted nor 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, (corresponding to Section 134(1)(m)of the Companies Act, 2013) forming part of the Report is also annexed hereto.

**PARTICULARS OF EMPLOYEES**

Information Pursuant to Section 217(2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2014.
Employed throughout the year and were in receipt of remuneration for the year which, in the aggregate, was not less than Rs.60,00,000:

| Name of Employee | Age | Designation | Gross Remuneration | Qualification | Experience (Years) | Date of Commencement of Employment | Particulars of Previous Employment |
|---|---|---|---|---|---|---|---|
| Sunil Kumar Nayyar | 54 | Chief Operating Officer | 69,20,004/- | B.E. (Mech.)<br><br>ASNT-NDT in UT & RT (Level 2) | 32 | October 8, 2012 | Chief Operating Officer- UB Engineering Limited |

*NOTES :*

a. *Gross remuneration shown above comprises salaries, allowances and benefits as per the Company's Rules and contributions to Provident Fund but excludes payments on account of encashment of leave on retirement/resignation.*

b. *No employee listed above is related to any Director of the Company*

c. *No employee listed above holds by himself/herself or along with his/her spouse and dependent children 2% or more of the Equity Shares of the Company*

**AUDIT COMMITTEE**

The Company has constituted Audit Committee of Directors in terms of Section 292A of the Companies Act, 1956 corresponding to Section 177 of the Companies Act, 2013. Members of Audit Committee are as follows:

1. Mr. Kishore Mukund Saletore
2. Mr. Sandeep Kapoor

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 corresponding to Schedule V of the Companies Act, 2013. Members of the Remuneration Committee are as follows:

1. Mr. Kishore Mukund Saletore
2. Mr. Sandeep Kapoor

The Committee met at regular intervals during the year.

**APPRECIATION**

The Board of Directors takes this opportunity to thank all its valued customers, financial institutions, banks, Government and other authorities 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** | **Sandeep Kapoor** | **Kishore Mukund Saletore** |
| **Date: May 23, 2014** | **Director** | **Director** |

# 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 Corresponding to Section 134 of the Companies Act, 2013 and forming part of the Directors' Report for the year ended March 31, 2014:**

**(A) Conservation of Energy**

a. **Energy Conservation measures taken during 2013-2014**
   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:**

| | (in Rupees) |
|---|---|
| Foreign Exchange earned | 343 |
| Foreign Exchange used | 1,68,143 |
| Net Foreign Exchange earned | (1,67,800) |

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

| | | |
|---|---|---|
| **Place: New Delhi** | **Sandeep Kapoor** | **Kishore Mukund Saletore** |
| **Date: May 23, 2014** | **Director** | **Director** |

# Independent Auditor's Report

**To the Members of BF Infrastructure Limited (The Company)**,

## Report on the Financial Statements

We have audited the accompanying financial statements of **BF Infrastructure Limited (The Company)**, which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Company's preparation and fair presentation of the financial statements 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 Companies internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, in the manner so required and 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 31st March, 2014;

(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of subsection (4A) of section 227 of the Act, I give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

    a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 my examination of those books;

    c. 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;

    d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956read with the General Circular 15/2013 dated 13$^{th}$ September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013; and

    e. On the basis of written representations received from the directors as on 31$^{st}$March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31$^{st}$March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For: **RMA & ASSOICIATES**
**Chartered Accountants**
FRN: 000978N

Place: New Delhi

Date: 23.05.2014

(Pankaj Chander)
Partner
M. 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 2014:

(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 disposed off some part of Project assets which are properly accounted.

(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 31.3.2014 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 accumulated losses of Rs. 37,79,467/-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 not given any 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, 2014, 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: 23.05.2014

(Pankaj Chander)
Partner
Membership No.: 089065

# BF Infrastructure Limited

## Balance Sheet as at 31st March , 2014

(Amount in RS)

| | Note | 31.03.14 | 31.03.13 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| (a) Share capital | 2 | 318,140,500.00 | 318,140,500.00 |
| (b) Reserves and surplus | 3 | (227,125,452.28) | (1,076,390.68) |
| | | | - |
| **Non-current liabilities** | | | |
| (a) Long-term borrowings | 4 | - | 212,815,999.00 |
| (b) Deferred tax liabilities (Net) | | | - |
| (c) Other Long term liabilities | | - | - |
| (d) Long-term provisions | 5 | 2,289,000.00 | 2,941,423.00 |
| **Current liabilities** | | | |
| (a) Short-term borrowings | 6 | 244,464,873.16 | 224,227,458.73 |
| (b) Trade payables | 7 | 412,742,779.00 | 321,916,087.60 |
| (c)Other current liabilities | 8 | 981,553,886.57 | 3,029,628,274.04 |
| (d) Short-term provisions | 9 | 9,300,542.00 | 16,879,520.00 |
| **Total** | | **1,741,366,128.45** | **4,125,472,871.68** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| (a) Fixed assets | 10 | | |
| (i) Tangible assets | | 5,906,698.54 | 21,951,741.27 |
| (ii) Intangible assets | | 1,711,763.52 | 1,491,870.83 |
| (iii) Intangible Assets Under Development | | - | - |
| (b) Non-current investments | 11 | 49,000.00 | 49,000.00 |
| (c) Deferred Tax Assets ( Net ) | 12 | 213,213.00 | 216,940.00 |
| (d)Long-term loans and advances | | | |
| (e) Other non-current assets | | - | - |
| **Current assets** | | | |
| (a) Current investments | | - | - |
| (b) Project Work In Progress | 13 | 46,181,023.00 | 1,922,417,888.39 |
| (c)Trade receivables | 14 | 409,715,901.00 | 635,269,746.00 |
| (d) Cash and cash equivalents | 15 | 5,910,694.37 | 32,045,785.85 |
| (e) Short-term loans and advances | 16 | 914,574,735.97 | 1,364,392,884.43 |
| (f) Other current assets | 17 | 357,103,099.05 | 147,637,014.91 |
| **Total** | | **1,741,366,128.45** | **4,125,472,871.68** |

The accompanying notes 1 to 22 form an integral part of these financial statements.

As per our attached report of even date
For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

On behalf of the Board of Directors

Pankaj Chander
Partner
Membership No 089065

Kishore Saletore
Director

Sandeep Kapoor
Director

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

Place: Delhi
Date: 23.05.14

# BF Infrastructure Limited

## Statement of Profit and Loss for the year ended March 31 , 2014

(Amount in RS)

| Particulars | NOTE | 31.03.14 | 31.03.13 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | | 3,881,141,834.23 | - |
| Other income | 18 | 18,457,744.41 | 5,643,607.02 |
| **Total Revenue** | | 3,899,599,578.64 | 5,643,607.02 |
| **Expenses:** | | | |
| Project Expenses | 19 | 4,121,689,955.24 | - |
| Administration & Other Expenses | 20 | 860,874.21 | 710,097.80 |
| Finance costs | 21 | 25,425.61 | 114,133.51 |
| Depreciation and amortization expenses | 10 | 3,909,362.18 | 4,721,807.15 |
| **Total expenses** | | **4,126,485,617.24** | **5,546,038.46** |
| Profit before exceptional and extraordinary items & tax | | (226,886,038.60) | 97,568.56 |
| **Exceptional items** | | (840,704.00) | |
| Profit before extraordinary items and tax | | (226,045,334.60) | 97,568.56 |
| **Extraordinary Items** | | | - |
| Profit before tax | | (226,045,334.60) | 97,568.56 |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | | 3,727.00 | (1,021,199.00) |
| Profit for the period from continuing operation | | (226,049,061.60) | 1,118,767.56 |
| Profit/ (Loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/(Loss) from discontinuing operations (after tax) | | - | - |
| Profit/(Loss) for the period | | **(226,049,061.60)** | **1,118,767.56** |
| Earnings per equity share: | | | |
| Basic | | (22.60) | 0.14 |
| Diluted | | (22.60) | 0.14 |
| Contingent Liabilities | 22 | | |

The accompanying notes 1 to 22 form an integral part of these financial statements.

As per our attached report of even date

For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

On behalf of the Board of Directors

Kishore Saletore
Director

Sandeep Kapoor
Director

Pankaj Chander

Partner
Membership No 089065

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

Place: Delhi
Date: 23.05.14

## BF Infrastructure Limited

### Cash Flow Statement for the year Ended 31st March, 2014

(Amount in RS)

| Sr. No. | Particulars | | As on 31-03-2014 |
|---|---|---|---|
| A | **Cash Flow from Operations** | | |
| | Profit before Taxation | | (226,045,334.60) |
| | Adjustments for: | | |
| | Depreciation | 3,909,362.18 | |
| | Diminution in value of Fixed Assets/Investments | - | |
| | Deferred Government Grant | - | |
| | Finance Charges | 25,425.61 | |
| | Provision for Inventory Write-down | - | |
| | Provision for Doubtful Debts & Advances | - | |
| | Interest Income | (6,686,227.00) | |
| | Bad Debts/Advances Written Off | - | |
| | (Profit)/Loss on Sale of Fixed Assets | (6,815,609.14) | (9,567,048.35) |
| | **Operating Profit before Working Capital Changes** | | **(235,612,382.95)** |
| | (Increase)/Decrease in Current Assets | | |
| | Projects WIP | 1,876,236,865.39 | |
| | Trade Receivables | 225,553,845.00 | |
| | Other Current Assets | (209,466,084.14) | |
| | Other Non-current Assets | - | |
| | Long-term Loans and Advances | 449,818,148.46 | |
| | | - | 2,342,142,774.71 |
| | Increase/(Decrease) in Current Liabilities | | |
| | Trade Payables | 90,826,691.40 | |
| | Other Current Liabilities | (2,048,074,387.47) | |
| | Other Long Term Liabilities | - | |
| | Long Term Provision | (652,423.00) | |
| | Short Term Provision | (7,578,978.00) | (1,965,479,097.07) |
| | **Cash Inflow/(Outflow) from Operations** | | **141,051,294.69** |
| | Direct Taxes Paid | | |
| | Income Tax Paid | - | |
| | Income Tax for Earlier years Written Back | - | - |
| | **Net Cash Inflow/ (Outflow) from Operation (A)** | | **141,051,294.69** |
| B | **Cash Flow from Investing Activities** | | |
| | Purchase of Fixed Assets | | (1,268,603.00) |
| | Sale of Fixed Asset and Adjustments | | 20,000,000.00 |
| | Income from Interest/Dividends | | - |
| | Reduction/(Addition) of Work in Progress | | - |
| | (Increase)/Decrease in Investments | | - |
| | **Net Cash Inflow/ (Outflow) from Investing Activities (B)** | | **18,731,397.00** |

# BF Infrastructure Limited

**Cash Flow Statement for the year Ended 31st March, 2014**

(Amount in RS)

| Sr. No. | Particulars | As on 31-03-2014 |
|---|---|---|
| C | **Cash Flow from Financing Activities** | |
| | Increase in Share Capital | - |
| | Increase/(Decrease) in Borrowings | 20,237,414.43 |
| | Decrease in Long Term Borrowing | (212,815,999.00) |
| | Interest Income | 6,686,227.00 |
| | Finance Charges | (25,425.61) |
| | Wealth Tax Paid | - |
| | Dividend Paid | - |
| | Dividend Tax Paid | - |
| | Deferred Government Grant | - |
| | **Net Cash Inflow/(Outflow) from Financing Activities ( C)** | **(185,917,783.18)** |
| | Net Change in Cash or Cash Equivalents during the Year | (26,135,091.49) |
| | Cash and Cash Equivalents at the beginning of the year | 32,045,785.85 |
| | **Cash and Cash Equivalents at the end of the year** | **5,910,694.36** |

**Notes to financial statements for the year ended 31st March 2014**

**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.

**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) Foreign Currency Transactions**

i) 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) All monetary assets and liabilities in foreign currency outstanding at the close of the financial year are valued at the closing exchange rates of the reporting date.

**f) Investments**

Long term investments are carried at cost made by the company are of a long term nature and hence diminution in the value of the investment if any generally considered to be of permanent nature.

**g) 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.

**h) Disclosure pursuant to Accounting Standard-7 'Construction Contracts'**

(in Rs.)

| **Particulars** | **Year Ended 31.03.14** | **Year Ended 31.03.13** |
|---|---|---|
| Contract Revenue Recognized during the period | 3,881,141,834.23 | ------- |
| Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date | 3,89,95,99,578.64 | 1,92,24,17,888.39 |
| Amount of customer advances outstanding for contracts in progress up to the reporting date | 660,147,048.00 | 1,92,90,99,325.99 |
| Retention amount due from customers for contract in progress up to the reporting date | 27,20,86,266.00 | 8,62,04,640.73 |
| Due from customers | 40,97,15,901.00 | 63,52,69,746.00 |
| Due to customers | 41,24,42,779.00 | 32,19,16,087.60 |

**i) 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 as per actuarial valuation based on Project Unit Credit Method as per Accounting Standard 15.

iii Leave encashment provision is being made in the books of accounts as per actuarial valuation based on Project Unit Credit Method as per Accounting Standard 15

**j) Preliminary Expenses**: The company is having a policy of writing off Preliminary Expenses in Five Years.

**K) Related Party Disclosure:**

**Detail of related parties (as certified by management):**

| | |
|---|---|
| **Key Managerial Personnel** | **Directors:**<br>Kishore Mukund Saletore<br>Sandeep Kapoor (from October 7, 2013)<br>Om Parkash Maken (From October 7, 2013)<br><br>Amit Babasaheb Kalyani (till October 8, 2013)<br>Sunil Kumar Chaturvedi (till October 8, 2013) |
| | **Manager:**<br>Rohit Gogia |
| **Joint Venture(s) of the Company** | Ferrovia Transrail Solutions Private Limited<br>BFIL-CEC JV |
| **Fellow Subsidiary** | BF-NTPC Energy Systems Limited |
| **Holding Company** | Bharat Forge Limited |

**Balances of Related Parties as on 31.03.14**

| **Particulars** | **Amount in Rs.** | |
|---|---|---|
| BF-NTPC Energy Systems Limited | 4,335,515.00 Dr. | Fellow Subsidiary |
| Ferrovia Transrail Solutions Private Limited | 234,770,533.69 Dr. | Associate |
| BFIL-CEC JV | 5,571,652.28 Dr. | Joint Venture |

L) **Contingent Liabilities**

A) Bank Guarantees submitted for Projects – Rs. 45,74,78,362/-
B) Case before Hon'ble Taxation Tribunal for adjudication in respect of admissibilty of Tax on supply of Earth made by the sub-contractor in Area Grading . The maximum Liability as per BFIL can be Rs. 2.00 crores. The case based upon the judgement of Supreme Court in the case of Titagarh Paper Mills Vs Government of Orissa and company is very positive about the outcome of the judgement.

For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

For BF Infrastructure Limited

Kishore Saletore
Director

Sandeep Kapoor
Director

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 23.05.2014

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

**BF Infrastructure Limited**

## Notes to financial statements for the year ended 31st March 2014

**2. Share Capital** (Amount in Rs)

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Authorized Shares ( No. )**<br>180,00,000 shares of par value of Rs.10/- each (Previous year 1,80,00,000 shares of par value of Rs.10/- each) | 180,000,000.00 | 180,000,000.00 |
| 2,20,00,000 Non Cumulative Redemable Preference shares of par value of Rs.10/- each ( Previous Year - 2,20,00,000 Non Cumulative Redemable Preference shares of par value of Rs.10/- | 220,000,000.00 | 220,000,000.00 |
| **Total** | **400,000,000.00** | **400,000,000.00** |
| **Issued , Subscribed and Fully Paid up ( No. )**<br>100,00,000 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) | 100,000,000.00 | 100,000,000.00 |
| 2,18,14,050 Non Cumulative Redemable Preference shares of par value of Rs.10/- each fully paid up ( Previous Year - 2,18,14,050 Non Cumulative Redemable Preference shares of par value of Rs.10/- each fully paid up ) | 218,140,500.00 | 218,140,500.00 |
| **Total Issued , Subscribed and Fully Paid up Capital** | **318,140,500.00** | **318,140,500.00** |

**(a) Reconciliation of the shares outstanding at the beginning and the at the end of the reporting period**

| **Equity Shares** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **In Rs.** | **No.** | **In Rs.** |
| At the begining of the year | 10,000,000.00 | 100,000,000.00 | 1,000,000.00 | 10,000,000.00 |
| Issued During the year | | | 9,000,000.00 | 90,000,000.00 |
| Outstanding at the year end | 10,000,000.00 | 100,000,000.00 | 10,000,000.00 | 100,000,000.00 |

The Company has only one class of equity shares having a par value of Re. 10 per share. Each holder of equity is entitled to one vote per share.

In event of liquidation of the Company, the total proceeds from such liquidation event remaining to be distributed among the holders of the shares of the Company after discharging the liabilities of the Company.

| **Preference Shares** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **In Rs.** | **No.** | **In Rs.** |
| At the begining of the year | 21,814,050.00 | 218,140,500.00 | - | - |
| Issued During the year | | | 21,814,050.00 | 218,140,500.00 |
| Outstanding at the year end | 21,814,050.00 | 218,140,500.00 | 21,814,050.00 | 218,140,500.00 |

The preference share(s) are liable for redemption after expiry of Five years from the date of allotment. However, it is at the sole discretion of the Board of directors of the Company to redeem such shares in whole or in part.

The shares when due for redemption shall be redeemed either out of profits of the Company which would otherwise be available for dividends, that is, out of general reserve created by ploughing back of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of redemption.

**Details of Equity Shareholders holding more that 5% shares in the company**

| **Particulars** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **% Holding** | **No.** | **% Holding** |
| Bharat Forge Limited | 9,999,994 | 100% | 9,999,994 | 100% |
| **Total** | **9,999,994.00** | **100%** | **9,999,994.00** | **100%** |

**Details of Preference Shareholders holding more that 5% shares in the company**

| **Particulars** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **% Holding** | **No.** | **% Holding** |
| Bharat Forge Limited | 21,814,050 | 100% | 21,814,050 | 100.00 |
| **Total** | **21,814,050.00** | **100%** | **21,814,050.00** | **100%** |

## BF Infrastructure Limited

## Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

**3. Reserves and Surplus**

| **As at March 31,** | **31.03.14** | **31.03.13** |
|---|---|---|
| **Surplus/( Deficit ) in the Statement of Profit and Loss Account** | | |
| Balance as per last Financial Statement | (1,076,390.68) | (2,195,158.24) |
| Add: Net Profit for the year | (226,049,061.60) | 1,118,767.56 |
| **Closing Balance** | (227,125,452.28) | (1,076,390.68) |

**4. Long Term Borrowing**

| **As at March 31,** | **31.03.14** | **31.03.13** |
|---|---|---|
| <u>**Unsecured**</u> | | |
| SREI Infrastructure Finance Limited | - | 212,815,999.00 |
| **Total** | **-** | **212,815,999.00** |

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(Amount in Rs.)

**5. Long Term Provisions**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Provision for Employee Benefits** | | |
| Gratuity Payable Long Term | 1,180,000.00 | 968,423.00 |
| Leave Encashment Payable Long Term | 1,109,000.00 | 1,973,000.00 |
| **Total** | **2,289,000.00** | **2,941,423.00** |

Note :

**A. Gratuity**

I. Assumptions :

| | 2014 | 2013 |
|---|---|---|
| Discount Rate | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 6.00% | 6.00% |

**II**. Table Showing Change in Benefit Obligation :

| | | |
|---|---|---|
| Projected Benefit Obligatons (PBO) at the beginning of the year | 970,000.00 | 322,000.00 |
| Interest Cost | 77,600.00 | - |
| Service Cost | 528,772.00 | 433,769.00 |
| Benefits paid | - | (804,443.00) |
| Actuarial (gain) loss on obligations | (224,372.00) | 1,018,674.00 |
| PBO at the end of the year | 1,352,000.00 | 970,000.00 |

**III.** Tables of Fair value of Plan Assets

| | | |
|---|---|---|
| Fair Value of Plan Assets at the beginning of the year | - | - |
| Expected Return on Plan Assets | - | - |
| Contributions/Transfers | - | 804,443.00 |
| Benefits paid | - | (804,443.00) |
| Gain / (loss) on Plan Assets | - | - |
| Fair Value of Plan Assets at the end of the year | - | - |

**B. Leave Encashment**

I. Assumptions :

| | 2014 | 2013 |
|---|---|---|
| Discount Rate | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 6.00% | 6.00% |

**II**. Table Showing Change in Benefit Obligation :

| | | |
|---|---|---|
| Projected Benefit Obligatons (PBO) at the beginning of the year | 1,608,000.00 | 1,008,000.00 |
| Interest Cost | 114,214.00 | 72,826.00 |
| Service Cost | 315,505.00 | 369,431.00 |
| Benefits paid | (360,639.00) | (195,350.00) |
| Actuarial (gain) loss on obligations | (95,080.00) | 353,093.00 |
| PBO at the end of the year | 1,582,000.00 | 1,608,000.00 |

**III.** Tables of Fair value of Plan Assets

| | | |
|---|---|---|
| Fair Value of Plan Assets at the beginning of the year | - | - |
| Expected Return on Plan Assets | - | - |
| Contributions/Transfers | 360,639.00 | 195,350.00 |
| Benefits paid | (360,639.00) | (195,350.00) |
| Gain / (loss) on Plan Assets | - | - |
| Fair Value of Plan Assets at the end of the year | - | - |

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## BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

**6. Short Term Borrowings**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Cash Credit from Bank ( Secured ) | 244,464,873.16 | 224,227,458.73 |
| **Total** | **244,464,873.16** | **224,227,458.73** |

Cash Credit is payable on Demand and carries interest at Base Rate plus 2.75%.

Cash Credit is secured by Pari Pasu first charge on Current and Fixed Assets.

**7. Trade Payables**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Trade Payables | 412,742,779.00 | 321,916,087.60 |
| **TOTAL** | **412,742,779.00** | **321,916,087.60** |

**8. Other Current Liabilities**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Income Billed but not Accrued | - | 1,041,184,159.05 |
| Advance from Customer | 660,147,048.00 | 1,929,099,325.99 |
| Amount payable to Bharat Forge Ltd. | 47,250,000.00 | - |
| Retention Money Payable | 272,086,271.00 | 53,612,586.00 |
| Security Deposit | - | 300,000.00 |
| Duties and Taxes | 2,070,567.57 | 5,432,203.00 |
| **TOTAL** | **981,553,886.57** | **3,029,628,274.04** |

**9. Short Term Provisions**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Expenses Payable | 9,300,542.00 | 16,879,520.00 |
| | **9,300,542.00** | **16,879,520.00** |

**BF Infrastructure Limited**

**Notes to financial statements for the year ended 31st March 2014**

(Amount in Rs)

**10. Fixed Assets**

| | Tangible | | | | | | | | | Intangible | | | Total Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Buildings | Temporary Erections | Plant and machinery | Office equipments | Electrical installations | Furniture and fixtures | Vehicles | Computers | Sub Total | Software | Website | SubTotal | As at 31.03.14 |
| **Cost** | | | | | | | | | | | | | |
| At April 1, 2011 | 1,580,758.00 | - | - | 655,745.00 | - | 361,445.00 | - | 844,626.00 | 3,442,574.00 | 191,625.00 | | 191,625.00 | 3,634,199.00 |
| Additions | 177,270.00 | 663,320.00 | 16,148,268.00 | 2,200,573.00 | 347,220.00 | 5,092,714.00 | 288,954.00 | 334,343.00 | 25,252,662.00 | 1,208,729.00 | 250,000.00 | 1,458,729.00 | 26,711,391.00 |
| Disposals | | | | | | | | | - | | | - | - |
| Other adjustments | | | | | | | | | - | | | - | - |
| - Borrowing cost | | | | | | | | | - | | | - | - |
| - Exchange differences | | | | | | | | | - | | | - | - |
| **At March 31, 2012** | **1,758,028.00** | **663,320.00** | **16,148,268.00** | **2,856,318.00** | **347,220.00** | **5,454,159.00** | **288,954.00** | **1,178,969.00** | **28,695,236.00** | **1,400,354.00** | **250,000.00** | **1,650,354.00** | **30,345,590.00** |
| Additions | - | 148,568.00 | - | 95,515.00 | - | 186,975.00 | - | 81,950.00 | 513,008.00 | 163,175.00 | 331,970.00 | 495,145.00 | 1,008,153.00 |
| Disposals | - | | - | - | - | - | - | | - | - | | - | - |
| Other adjustments | | | | | | | | | - | - | | - | - |
| - Borrowing cost | - | | - | - | - | - | - | | - | - | | - | - |
| - Exchange differences | - | | - | - | - | - | - | | - | - | | - | - |
| **As at March 31, 2013** | **1,758,028.00** | **811,888.00** | **16,148,268.00** | **2,951,833.00** | **347,220.00** | **5,641,134.00** | **288,954.00** | **1,260,919.00** | **29,208,244.00** | **1,563,529.00** | **581,970.00** | **2,145,499.00** | **31,353,743.00** |
| Additions | - | - | - | 529,850.00 | - | 183,316.00 | - | - | 713,166.00 | 555,437.00 | - | 555,437.00 | 1,268,603.00 |
| Disposals | 1,758,028.00 | 811,888.00 | 16,148,268.00 | - | 347,220.00 | - | 288,954.00 | 1,260,919.00 | 20,615,277.00 | - | - | - | 20,615,277.00 |
| Other adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Borrowing cost | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Exchange differences | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **As at March 31, 2014** | **-** | **-** | **-** | **3,481,683.00** | **-** | **5,824,450.00** | **-** | **-** | **9,306,133.00** | **2,118,966.00** | **581,970.00** | **2,700,936.00** | **12,007,069.00** |
| **Depreciation** | | | | | | | | | | | | | |
| At April 1, 2011 | 217,946.72 | - | - | 26,683.38 | | 46,089.30 | - | 72,701.22 | 363,420.62 | 191,625.00 | | 191,625.00 | 555,045.62 |
| Charge for the year | 458,433.73 | 159,152.63 | 597,484.91 | 305,638.75 | 264.65 | 554,037.58 | 62,102.71 | 369,402.58 | 2,506,517.54 | 126,760.60 | - | 126,760.60 | 2,633,278.14 |
| Disposals | | | | | | | | | | | | | - |
| **At March 31, 2012** | **676,380.45** | **159,152.63** | **597,484.91** | **332,322.13** | **264.65** | **600,126.88** | **62,102.71** | **442,103.80** | **2,869,938.16** | **318,385.60** | **-** | **318,385.60** | **3,188,323.76** |
| Charge for the year | 360,513.13 | 211,858.77 | 2,163,113.92 | 354,423.71 | 48,261.49 | 880,706.74 | 58,731.80 | 308,955.01 | 4,386,564.57 | 242,451.58 | 92,790.99 | 335,242.57 | 4,721,807.14 |
| Disposals | - | | - | - | - | | - | | - | | | | - |
| **At March 31, 2013** | **1,036,893.58** | **371,011.40** | **2,760,598.83** | **686,745.84** | **48,526.14** | **1,480,833.62** | **120,834.51** | **751,058.81** | **7,256,502.73** | **560,837.18** | **92,790.99** | **653,628.17** | **7,910,130.90** |
| Charge for the year | 219,940.47 | 134,463.98 | 1,704,063.22 | 361,395.00 | 57,043.00 | 870,460.00 | 39,829.40 | 186,622.80 | 3,573,817.87 | 237,708.51 | 97,835.80 | 335,544.31 | **3,909,362.18** |
| Disposals | 1,256,834.05 | 505,475.38 | 4,464,662.05 | - | 105,569.14 | - | 160,663.91 | 937,681.61 | 7,430,886.14 | | | | 7,430,886.14 |
| **At March 31, 2014** | **-** | **-** | **-** | **1,048,140.84** | **-** | **2,351,293.62** | **-** | **-** | **3,399,434.46** | **798,545.69** | **190,626.79** | **989,172.48** | **4,388,606.94** |
| **Net Block** | | | | | | | | | | | | | |
| **As at March 31, 2012** | **1,081,647.55** | **504,167.37** | **15,550,783.09** | **2,523,995.87** | **346,955.35** | **4,854,032.12** | **226,851.29** | **736,865.20** | **25,825,297.84** | **1,081,968.40** | **250,000.00** | **1,331,968.40** | **27,157,266.24** |
| **As at March 31, 2013** | **721,134.42** | **440,876.60** | **13,387,669.17** | **2,265,087.16** | **298,693.86** | **4,160,300.38** | **168,119.49** | **509,860.19** | **21,951,741.27** | **1,002,691.82** | **489,179.01** | **1,491,870.83** | **23,443,612.10** |
| **As at March 31, 2014** | **-** | **-** | **-** | **2,433,542.16** | **-** | **3,473,156.38** | **-** | **-** | **5,906,698.54** | **1,320,420.31** | **391,343.21** | **1,711,763.52** | **7,618,462.06** |

## BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

**11. Non Current Investment**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Non Current Investment** | | |
| **Particulars** | | |
| **(A) Investment Property** | - | - |
| | | |
| **(B) Trade investments** | - | - |
| **(i) Investments in Equity Instruments** | - | - |
| **(ii) Investments in Preference Shares** | - | - |
| **(iii) Investments in debentures or bonds** | - | - |
| | | |
| **( C) Non-Trade Investments** | | |
| **(i) Investments in Equity Instruments** | | |
| Ferrovia Solutions Private Limited | | |
| (4,900 Equity Shares @ Rs 10) | 49000.00 | 49000.00 |
| **Total** | 49,000.00 | 49,000.00 |

**12. Deferred Tax Liability / (Asset)**

| As at March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Depreciation As Per IT Act. | 3,219,351.04 | 4,019,735.40 |
| Depreciation As Per Companies Act | 3,909,362.18 | 4,721,807.15 |
| | (690,011.14) | (702,071.75) |
| Deferred Tax Liability @ 30.9% | (213,213.44) | (216,940.17) |
| **Deferred Tax Liability / (Asset)** | **(213,213.00)** | **(216,940.00)** |

# BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

**13. Project Work in Progress**

| **As at March 31,** | **31.03.14** | **31.03.13** |
|---|---|---|
| Opening Work in Progress | 2,285,629.00 | 1,578,710,512.74 |
| Civil Works | - | 132,617,307.00 |
| Cement | - | 13,664,136.00 |
| Steel | - | 58,905,401.00 |
| Structural Steel | - | 1,990,170.00 |
| Personnel Expenses | - | 84,823,501.00 |
| Office Rent and Maintenance | - | 4,915,739.00 |
| BG Commission | - | 4,055,327.97 |
| Interest Expenses | - | 14,182,118.76 |
| Transportation Charges | - | 772,976.00 |
| Office Expenses | - | 4,763,394.46 |
| Insurance Charges | - | 1,803,884.84 |
| Professional Charges | - | 5,305,020.00 |
| Local Transport | - | 7,316,511.62 |
| Other Site Expenses | - | 2,366,496.00 |
| Travelling Expenses | - | 3,937,927.00 |
| Loss on Foreign Currency Exchange | - | 1,836.00 |
| Oil Business | 43,895,394.00 | 2,285,629.00 |
| **TOTAL** | **46,181,023.00** | **1,922,417,888.39** |

**14. Trade Receivables**

| **As at March 31,** | **31.03.14** | **31.03.13** |
|---|---|---|
| **Trade Receivables** | | |
| Unsecured considered good unless stated otherwise | 409,715,901.00 | |
| Outstanding for a period exceeding six months from the date they became due for payment: | | |
| Considered Good | - | 463,286,006.00 |
| Considered Doubtful | - | - |
| Less : Provision for Doubtful Receivables | - | - |
| Other Receivables , Considered Good | - | 171,983,740.00 |
| **TOTAL** | **409,715,901.00** | **635,269,746.00** |

## BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

(Amount in Rs)

**15. Cash and Bank Balances**

| As at March 31 , | 31.03.14 | 31.03.13 |
|---|---|---|
| **Cash and Cash Equivalents** | | |
| **Balances with Banks** | | |
| In Cash Credit and Current Accounts | 5,758,974.10 | 20,897,978.67 |
| Deposits with Bank | - | 11,074,731.00 |
| Cash in Hand | 151,720.27 | 73076.18 |
| **Total** | **5,910,694.37** | **32,045,785.85** |

**16. Short term Loans and Advances**

| As at March 31 , | 31.03.14 | 31.03.13 |
|---|---|---|
| **Short term loan and Advances** | | |
| Related Party | 244,677,700.97 | 467,997.00 |
| **Others** | 669,897,035.00 | 1,363,924,887.43 |
| Advance Recoverable in cash or kind or for value to be received (considered good ) | | |
| **Total** | **914,574,735.97** | **1,364,392,884.43** |

**17. Other Current Assets**

| As at March 31 , | 31.03.14 | 31.03.13 |
|---|---|---|
| **Other Current Assets** | | |
| Prepaid Expenses | 227,738.59 | 434,975.91 |
| Security Deposits | 5,342,385.00 | 3,293,181.00 |
| Cenvat Credit - Service Tax | 9,412,938.36 | 16,643,661.92 |
| Cenvat Credit Claimable | - | 10,762,937.00 |
| Cenvat Credit Deferred | 12,082.50 | 27,163.00 |
| Service Tax Refundable | 4,789,500.00 | 4,789,500.00 |
| Income Tax Refundable( A.Y. 2011-12 ) | 1,917,129.00 | 1,917,129.00 |
| Income Tax Refundable( A.Y. 2012-13 ) | - | 5,745,149.00 |
| Income Tax Refundable( A.Y. 2013-14 ) | 9,490,502.00 | 9,490,502.00 |
| TDS Receivable | 20,781,063.60 | - |
| Kalyani Alstom Power Limited | 1,300.00 | - |
| Dalian Huarai Special Transmission Equipment Pvt ltd | 4,527,750.00 | - |
| Kenersys India Ltd. | 1,414,239.43 | - |
| WB Work Contract VAT 13.5% | 921,249.00 | 277,901.00 |
| WB Work Contract VAT 14.5% | 203,111.00 | - |
| WB VAT 14.5% | 562,309.00 | 4,240.00 |
| WB VAT 4% | 28,484.00 | - |
| WB Work Contract VAT 4% | 19,840.00 | 1,878.00 |
| WB Work Contract VAT 5% | 4,012.00 | - |
| WCT Receivable | 25,193,738.00 | 7,566,920.00 |
| Staff Imprest | - | 14,044.82 |
| Retention Money with India Power Corporation Limited | 272,086,266.00 | 86,204,640.73 |
| Reimbursement of Excise Duty | - | 232.00 |
| Reimbursement of Labour Cess | - | 99,884.00 |
| Income accrued but not Billed | 4,676.77 | - |
| Advance to Customers | - | 37,506.00 |
| Preliminary Expenses yet to be written off | 162,784.80 | 325,569.53 |
| **TOTAL** | **357,103,099.05** | **147,637,014.91** |

## BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

**18. Other Income**

| For the March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Other Income** | | |
| Interest Income | 6,686,227.00 | 2,739,288.02 |
| Income from Forex Exchange | 1,866.27 | 1,443.00 |
| Miscellaneous Income | - | 2,876.00 |
| Management Consultancy Fees | - | 2,900,000.00 |
| Profit on Sale of Fixed Assets | 6,815,609.14 | |
| Rent Income | 3,210,000.00 | |
| Forefeiture of Security | 1,744,042.00 | |
| | **18,457,744.41** | **5,643,607.02** |

**19. Project Work in Progress**

| For the March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| Opening Work in Progress | 1,922,417,888.39 | - |
| Design Consultancy Fee | (3,005,356.07) | |
| Oil Business Project Work in Progress | (2,285,629.00) | |
| BTG Work | 1,970,899,882.00 | - |
| BOP Work | 33,696,500.00 | - |
| Civil Works | 3,009,708.00 | - |
| Personnel Expenses | 53,754,630.60 | - |
| Office Rent and Maintenance | 8,699,336.31 | - |
| BG Commission | 3,666,712.20 | - |
| Interest Expenses | 105,528,808.52 | - |
| Transportation Charges | 196,903.00 | - |
| Office Expenses | 4,198,650.13 | - |
| Insurance Charges | 5,610,633.16 | - |
| Professional Charges | 2,353,702.00 | - |
| Local Transport | 6,702,468.00 | - |
| Other Site Expenses | 2,595,609.00 | - |
| Travelling Expenses | 3,210,261.00 | - |
| Labour Cess | 439,248.00 | - |
| **TOTAL** | **4,121,689,955.24** | **-** |

# BF Infrastructure Limited
## Notes to financial statements for the year ended 31st March 2014

(Amount in Rs)

### 20. Administration and Other Expenses

| For the March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Administration and Other Expenses** | | |
| Personnel Expenses | - | 247,313.00 |
| Audit fee | 445,000.00 | 300,000.00 |
| Business Development Expenses | 233,873.00 | - |
| Miscellaneous Expenses | 19,216.41 | - |
| Preliminary Exps. Written off | 162,784.80 | 162,784.80 |
| **Total** | **860,874.21** | **710,097.80** |

### 21. Finance Cost

| For the March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Finance Cost** | | |
| Bank Charges | 25,425.61 | 114,133.51 |
| **TOTAL** | **25,425.61** | **114,133.51** |

### 22. Contingent Liabilities

| For the March 31, | 31.03.14 | 31.03.13 |
|---|---|---|
| **Bank Guarantees** | | |
| Bank Guarantees Extended for Project | 457,478,362.00 | 670,655,000.00 |
| Bank Guarantees Extended to Vendor | - | 110,000,000.00 |
| **TOTAL** | **457,478,362.00** | **780,655,000.00** |

## 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 Third Annual Report and Audited Statement of Accounts for the period from April 1, 2013 to March 31, 2014.

### FINANCIAL HIGHLIGHT

During the financial year company has incurred a net Profit/ (loss) of Rs.(3,520,957) **/-**. The financial results are summarized here under:

*(Amount in Rupees)*

| **Particulars** | **As on March 31, 2014** | **As on March 31, 2013** |
|---|---|---|
| Net Sales | NIL | NIL |
| Other Income | NIL | NIL |
| **Total Revenue** | **NIL** | **NIL** |
| Operating and Other Expenses | 3,520,957 | 2,78,984 |
| **Total Expenses** | **3,520,957** | **2,78,984** |
| **PBDIT** | **(3,520,957)** | **(2,78,984)** |
| Depreciation/Amortization | NIL | NIL |
| PBIT | **(3,520,957)** | **(2,78,984)** |
| Current Tax | NIL | NIL |
| **PAT** | **(3,520,957)** | **(2,78,984)** |
| Basic/ Diluted Earnings / (Loss) per Share | (4.98) | (5.58) |

### Dividend

Since the Company is under implementation phase and the Company does not have any distributable profits, hence the Board is not in a position to recommend any dividend for the year ended March 31, 2014.

### SHARE CAPITAL

### Authorised share capital

On February 24, 2014, the Authorised Share Capital of the Company was increased from Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each to Rs. 45,00,00,000/- (Rupees Forty Five Crores) divided into 4,50,00,000 (Four Crores Fifty Lacs) equity shares of Rs. 10/- each.

**Allotment of Shares:**

The Company on March 26, 2014 has allotted 4,00,00,000 (Four Crores) Equity Shares of Rs. 10/- each by way of Right Issue to its existing Shareholder.

Now the paid up share capital of the Company is Rs. 40,05,00,000/- (Rupees Forty Crores Five Lacs) divided into 4,00,50,000/- (Four Crores Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

**BACKGROUND AND REVIEW OF ACTIVITIES**

BF Infrastructure Ventures Limited (BFIVL) is 100% subsidiary company of one 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**

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Sanjeev Gajanan Joglekar, Director of the Company, retire by rotation and, being eligible, offer himself for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Director's responsibility statement, your Directors confirm that:

a. In the preparation of the annual accounts for the Financial year ended March 31, 2014, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

b. The accounting policies selected have been applied consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year of the Company for the year under review;

c. Proper and sufficient care has been taken 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 annual accounts for Financial Year ended March 31, 2014 had been prepared on a going concern basis.

**AUDITORS**

M/s RMA & Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Further, the Company has received the letter from M/s RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 139 and Section 141 of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Section 141 of the Companies Act, 2013.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

**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 has started its commercial activities and total revenue of the subsidiary for the current Financial Year is Rs.53,603,584/-. The Financials of the Subsidiary along with the Consolidated Financial Statements are attached with and forming part of the Financial Statements of the Company

**APPOINTMENT OF KEY PERSONNEL:**

During the financial year the company was not having any employee on the roll. The company has identified key positions and it was planned to appoint all the key personnel shortly.

**FIXED DEPOSIT**

Your company has not accepted any deposits from public and as such, no amount of principal or interest thereon was outstanding as on the date of the Balance Sheet.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The particulars prescribed Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with 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, are given in 'Annexure A' to the Directors' Report.

**PARTICULARS OF EMPLOYEES**

As there was no employees drawing remuneration more than the limit prescribed under Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, Statement under section 217(2A) is not annexed.

**APPRECIATION**

The Board of Directors takes this opportunity to thank its stakeholders including the promoter (BFL Group) and Government for their continued support to the Company.

**FOR AND ON BEHALF OF THE**
**BOARD OF DIRECTORS**

| | | |
|---|---|---|
| **Place: Delhi** | **Kishore Mukund Saletore** | **Sanjeev Gajanan Joglekar** |
| **Date: May 10, 2014** | **Director** | **Director** |

## 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, 2014:**

### (A) Conservation of Energy

**a. Energy Conservation measures taken during 2013-2014**

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:**

| | (Amount in Rupees) |
|---|---|
| Foreign Exchange earned | NIL |
| Foreign Exchange used | NIL |
| Net Foreign Exchange earned | NIL |

**For and on behalf of the**
**Board of Directors**

| | | |
|---|---|---|
| **Place: Delhi** | **Kishore Mukund Saletore** | **Sanjeev Gajanan Joglekar** |
| **Date: May 10, 2014** | **Director** | **Director** |

# Independent Auditor's Report

**To the Members of BF Infrastructure Ventures Limited (The Company)**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **BF Infrastructure Ventures Limited (The Company)**, which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Company's preparation and fair presentation of the financial statements 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 Companies internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, in the manner so required and 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 31st March, 2014;

(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of subsection (4A) of section 227 of the Act, I give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, I report that:

   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 my examination of those books;

   c. 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;

   d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13$^{th}$ September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013; and

   e. on the basis of written representations received from the directors as on 31$^{st}$March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31$^{st}$March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For: **RMA & ASSOICIATES**
**Chartered Accountants**
FRN: 000978N

Place: New Delhi

Date: 10.05.2014

(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 Ventures Limited** as at and for the year ended 31st March 2014:

(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 31.3.2014 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, 2014, 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: 10.05.2014

(Pankaj Chander )
Partner
Membership No.: 089065

# BF Infrastructure Ventures Ltd
## Balance Sheet as at 31st March, 2014

(Amount in Rs)

| As at March 31, | Note | 2014 | 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 400,500,000.00 | 500,000.00 |
| Reserves and surplus | 3 | (4,120,473.00) | (599,516.00) |
| **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) | | | |
| Trade payables | | - | - |
| Other current liabilities | 4 | 60,558,040.76 | 457,058,099.76 |
| Short-term provisions | 5 | 266,061.00 | 263,193.00 |
| | | | - |
| **Total** | | **457,203,628.76** | **457,221,776.76** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | | | |
| Tangible assets | | - | - |
| Intangible assets | | - | - |
| Capital work-in-progress | | - | - |
| Intangible Assets Under Development | | - | - |
| Non-current investments | 6 | 43,400,000.00 | 43,400,000.00 |
| Long-term loans and advances | | - | - |
| Other non-current assets | | - | - |
| **Current assets** | | | |
| Current investments | | - | - |
| Inventories | | - | - |
| Trade receivables | | - | - |
| Cash and cash equivalents | 7 | 102,511.00 | 115,494.00 |
| Short-term loans and advances | 8 | - | - |
| Other current assets | 9 | 413,701,117.76 | 413,706,282.76 |
| **Total** | | **457,203,628.76** | **457,221,776.76** |

The accompanying notes 1 to 10 form an integral part of these financial statements.

For RMA & Associates - -
Chartered Accountants
Firm Registration Number: 000978N

On behalf of the Board of Directors

Pankaj Chander

Partner
Membership No 089065

Kishore Saletore
Director

S.G. Joglekar
Director

Place: Delhi
Date: 10th May ,2014

# BF Infrastructure Ventures Ltd

## Statement of Profit and Loss for the year ended March 31 , 2014

(Amount in Rs)

| For the year ended March 31, | NOTE | 2014 | 2013 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from operations** | | - | - |
| **Other income** | | - | - |
| **Total Revenue** | | - | - |
| **Expenses:** | | | |
| Employee benefits expense | | - | - |
| Finance costs | | - | - |
| Depreciation and amortization expense | | - | - |
| Administration & other expenses | **10** | 3,520,957.00 | 278,984.00 |
| Prior period items | | - | - |
| **Total expenses** | | **3,520,957.00** | **278,984.00** |
| | | | - |
| Profit/(Loss) before exceptional and extraordinary items & tax | | (3,520,957.00) | (278,984.00) |
| **Exceptional items** | | | - |
| Profit/(Loss) before extraordinary items and tax | | (3,520,957.00) | (278,984.00) |
| **Extraordinary Items** | | - | - |
| Profit/(Loss) before tax | | (3,520,957.00) | (278,984.00) |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit/(Loss) for the period from continuing operation | | (3,520,957.00) | (278,984.00) |
| Profit/ (Loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/(Loss) from discontinuing operations (after tax) (XII-XIII) | | - | - |
| Profit/(Loss) for the period | | **(3,520,957.00)** | **(278,984.00)** |
| Earnings per equity share: | | | |
| Basic | | (0.09) | (5.58) |
| Diluted | | (0.09) | (5.58) |

The accompanying notes 1 to 10 form an integral part of these financial statements.

For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

On behalf of the Board of Directors

Pankaj Chander

Partner
Membership No 089065

Kishore Saletore
Director

S.G. Joglekar
Director

Place: Delhi
Date: 10th May ,2014

**Notes to financial statements for the year ended 31st March 2014**

**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.

**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.

**e) Employee Benefits**:

1. Long term and Short term Post-employment benefits plan :

   Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

   For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the statement of profit and loss for the period in which they occur. Past service cost is recognized immediately, to the extent the benefits are already vested.

   The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service costs, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to the present value of the available refunds and reductions in future contributions to the scheme.

2. Short term employee benefits :

   The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders the service.

**f) 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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

**g) Provisions, Contingent Liabilities and Contingent Assets:**

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. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability.

**h) Related Party Disclosure:**

**A. Detail of related parties (as certified by management):**

| | |
|---|---|
| **Key Managerial Personnel** | **Directors:**<br>Sanjeev Gajanan Joglekar<br>Kishore Mukund Saletore<br>Sunil Kumar Chaturvedi |
| **Joint Venture(s) of the Company** | David Brown Bharat Forge Gear Systems India Limited |
| **Holding Company** | Bharat Forge Limited |

For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

For BF Infrastructure Ventures Limited

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 10.05.2014

Kishore Saletore
Director

S.G. Joglekar
Director

**BF Infrastructure Ventures Ltd**

**Notes to financial statements for the year ended 31st March 2014**

**2. Share Capital**

| As at March 31, | 2014 | 2013 |
|---|---|---|
| **Authorized Shares ( No.)** | | |
| 4,00,50,000 shares of par value of Rs.10/- each (Previous year 50,000 shares of par value of Rs.10/- each) | **400,500,000.00** | **500,000.00** |
| **Issued Subscribed and Fully Paid** | | |
| 4,00,50,000 shares of par value of Rs.10/- each fully paid up (Previous year 50,000 shares of par value of Rs.10/- each fully paid-up) | **400,500,000.00** | **500,000.00** |

**(a) Reconciliation of the shares outstanding at the beginning and the at the end of the reporting period**

| **Equity Shares** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **In Rs.** | **No.** | **In Rs.** |
| At the begining of the year | 50,000.00 | 500,000.00 | 50,000.00 | 500,000.00 |
| Issued During the year | 40,000,000.00 | 400,000,000.00 | - | - |
| Outstanding at the year end | 40,050,000.00 | 400,500,000.00 | 50,000.00 | 500,000.00 |

The Company has only one class of equity shares having a par value of Re. 10 per share. Each holder of equity is entitled to one vote per share.

In event of liquidation of the Company, the total proceeds from such liquidation event remaining to be distributed among the holders of the shares of the Company after discharging the liabilities of the Company.

During the period under review the Company has issued 40000000 equity shares of Rs.10/-each ranking Pari Pasu with existing equity shares.

**Details of Equity Shareholders holding more that 5% shares in the company**

| **Particulars** | **31 March 2014** | | **31 March 2013** | |
|---|---|---|---|---|
| | **No.** | **% Holding** | **No.** | **% Holding** |
| Bharat Forge Limited | 400,500,000.00 | 100% | 49,994.00 | 100% |
| **Total** | **400,500,000.00** | **100%** | **49,994.00** | **100%** |

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## BF Infrastructure Ventures Ltd

### Notes to financial statements for the year ended 31st March 2014

**(Amount in Rs)**

### 3. Reserve and Surplus

| As at March 31, | 2014 | 2013 |
|---|---|---|
| **Surplus/( Deficit ) in the Statement of Profit and Loss Account** | | |
| Balance as per last Financial Statement | (599,516.00) | (320,532.00) |
| Add(Less):-Profit (Loss) after tax for the year | (3,520,957.00) | (278,984.00) |
| **Closing Balance** | **(4,120,473.00)** | **(599,516.00)** |

### 4. Other Current Liabilities

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Duties & Taxes | 2,750.00 | 2,809.00 |
| Amount Payable to Bharat Forge limited | 60,555,290.76 | 457,055,290.76 |
| **TOTAL** | **60,558,040.76** | **457,058,099.76** |

### 5. Short Term Provisions

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Provision for Leave Encashment | 237,912.00 | 237,912.00 |
| Audit fee Payable | 28,149.00 | 25,281.00 |
| **Total** | **266,061.00** | **263,193.00** |

### 6. Non Current Investment

| As at March 31, | 2014 | 2013 |
|---|---|---|
| **Investment in Joint Venture Company** | | |
| David Brown Bharat Forge Gear Systems India Limited | 43,400,000.00 | 43,400,000.00 |
| **Total** | **43,400,000.00** | **43,400,000.00** |

## BF Infrastructure Ventures Ltd

**Notes to financial statements for the year ended 31st March 2014**

**(Amount in Rs)**

### 7. Cash and Cash Equivalent

| As at March 31 , | 2014 | 2013 |
|---|---|---|
| Balances with Bank in Current Account | 100,734.00 | 114,898.00 |
| Cash on hand | 1,777.00 | 596.00 |
| **Total** | **102,511.00** | **115,494.00** |

### 8. Short Term Loans and Advances

| As at March 31 , | 2014 | 2013 |
|---|---|---|
| Loans to related parties include: | | |
| i)Subsidiary companies | - | - |
| ii)Joint Venture companies | - | - |
| iii)Key management personel | - | - |
| **Total** | **-** | **-** |

### 9. Other Current Assets

| As at March 31 , | 2014 | 2013 |
|---|---|---|
| **Other Current Assets** | | |
| Opening Balance | 413,706,282.76 | 277,312,632.00 |
| Add: Addition during the year | - | 136,393,650.76 |
| Less: Preliminary Expenses w/off during the year | 5,165.00 | - |
| **Total** | **413,701,117.76** | **413,706,282.76** |

*Rs. 41,36,95,952.76 represents amount incurred on the project related activities carried out by the company.

### 10. ADMINISTRATION & OTHER EXPENSES

| As at March 31 , | 2014 | 2013 |
|---|---|---|
| Audit fee | 30,899.00 | 28,090.00 |
| Professional charges and consultancy fees | 243,214.00 | 244,198.00 |
| Legal Fees | 3,241,679.00 | 1,531.00 |
| Preliminary Exps. Written Off | 5,165.00 | 5,165.00 |
| **Total** | **3,520,957.00** | **278,984.00** |

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## Kalyani Strategic Systems Limited
## (Formerly known as 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 Third Annual Report and Audited Statement of Accounts for the period from April 1, 2013 to March 31, 2014.

**FINANCIAL HIGHLIGHTS**

During the financial year company has incurred a net Profit/ (loss) of **Rs. (231,619)/-**. The financial results are summarized here under:

*(Amount in Rupees)*

| **Particulars** | **As on March 31, 2014** | **As on March 31, 2013** |
|---|---|---|
| Net Sales | NIL | NIL |
| Other Income | NIL | NIL |
| **Total Revenue** | **NIL** | **NIL** |
| Administration and Other Expenses | 231,619 | 217,154 |
| **Total Expenses** | **231,619** | **2,17,154** |
| **PBDIT** | **(231,619)** | **(2,17,154)** |
| Depreciation/Amortization | NIL | NIL |
| PBIT | **(231,619)** | **(2,17,154)** |
| Current Tax | NIL | NIL |
| **PAT** | **(231,619)** | **(2,17,154)** |
| Basic/ Diluted Earnings / (Loss) per Share | (4.63) | (4.34) |

**Dividend**

Since the Company does not have any distributable profits, hence the Board is not in a position to recommend any dividend for the year ended March 31, 2014.

**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 fully paid up.

## BACKGROUND AND REVIEW OF ACTIVITIES

- **Background**

BF Power Equipment Limited (BFPEL) is 100% subsidiary company of one 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, your company was incorporated as a public limited company on December 20, 2010 and its registered office is at Pune.

- **Change in Name of the Company**

The Company, on Saturday, January 25, 2014, by passing a resolution at the Extra-ordinary General Meeting, changed its name from BF Power Equipment Limited to Kalyani Strategic Systems Limited. Such change was made to reflect the change in main object of the Company i.e. Power Equipment Business.

- **Change in Object of the Company**

The main objects of the Company were confined to the business of Power Equipment Business. The outlook for India's power sector remained negative, which is primarily driven by the government and regulatory policy continuity as well as easing fuel availability and prices. In a bleak prognosis for Power Sector, it was in the interest of the Company to look out for some other area of business. Hence, the Company, on Saturday, January 25, 2014, by passing a resolution at the Extra-ordinary General Meeting, changed its objects to:

1. To engage in and conduct the business of scientific, technical and other research and development in any field, particularly in the field of developing/ deploying advance defense, Aerospace and other strategic areas and other technologies, electronics, computer software, mechanics and electrical, systems integration, training systems, opto-electronics, communications, composites, and mechanical engineering; to manufacture, design, implement, test and experiment all kinds of equipment to originate, develop and improve any discoveries, inventions, technology, processes and formulate, turn to account , particularly to integrate, manufacture, purchase or otherwise acquire, own, hold, operate, sell, import, export or otherwise transfer, lease, license the use of, distribute or otherwise dispose of and generally to manufacture, assemble, develop and sell equipment , technology and property of every kind and description, including without limitation of generality of the

foregoing, electronic, electrical, micro; mini; & main frame computer software and hardware, digital and analogue data processing devices and systems, computer related technologies, information systems and processes and mechanical devices, apparatus, tools, utensils, receptacles, substances, appliances, equipment and machines and parts thereof and also to create, reproduce, amplify, receive, transmit and retain sound, signals, communications for use in a variety of end user segments, including the Defense Forces, customers, enterprises and the Government and also for all other processes, matters and things and to establish, provide, maintain and conduct or otherwise subsidize research & development, technical laboratories and experimental workshops for scientific and technical research and experiments, and to undertake and carry on with all scientific and technical researches, experiments and tests of all kinds and generally to encourage, promote and reward; researches, investigations, experiments, tests, discoveries and invention of any kind that may be considered likely to assist any of the business which the Company is authorized to carry on.

Existing sub- Clauses 2 to 17 of Clause III (B) Objects incidental or ancillary to the attainment of main objects of the Memorandum of Association of the Company be deleted and replaced by a new sub- clauses 2 to 17 as under:

2. To do the business to take over any existing Company(ies) with its assets and liabilities, or to acquire, undertake and amalgamate the whole or any part of the business, property and liabilities of any person, firm, corporation or company having similar objects by way of exchange for its shares, joint-ventures or otherwise and to enter into, make and perform contracts of every kind and description, agreements and arrangements with any person, firm, association, corporation, municipality, country, state, body politic or government for the business of the Company.

3. To employ or engage staff to carry out the objects and to train or arrange for the training in India or abroad of any of the Company's employees or any other person, in the interest of or in furtherance of the Company's objects. And acquire from any person, firm or body corporate whether in India or elsewhere technical information, know-how, grants, or licences and to employ experts to investigate and examine into the conditions, prospects, value, character and circumstances of any business concerns and undertaking and of any assets, property or rights of the Company.

4. To purchase, take on lease or license or tenancy or in exchange, hire or otherwise any real and/or personal property and any rights or privileges, which the Company may think necessary or convenient for the purposes of its business or may enhance the value of any other property of the Company and, in particular, any land (freehold, leasehold or other tenure), building, easement, machinery, plant and stock-in-trade and on any such lands to erect buildings, factories, sheds, godowns or other structures for the works and purposes of the Company and also for the residence and amenity of its employees, staff and other workmen and erect and install machinery and plant and other equipments deemed necessary or convenient or profitable for the purposes of the Company and either to retain any property to

be acquired for the purposes of the Company's business or to turn the same to account as may seem expedient.

5. To enter into any arrangement with any Government or Authority, Central, State, Local or Foreign or public body or persons or authority or from any private individual that may seem conducive to the Company's objects or any of them and to obtain from any such Government, Authority, person or company any concessions, grants, decrees, rights, charters, contracts, licences, powers and privileges whatsoever which may seem to the Company capable of being turned to account or which the Company may think directly or indirectly conducive to any of its objects or capable of being carried on in connection with its business and to work, develop, carry out, exercise and turn to account the same.

6. To acquire, hold and deal in stocks, shares, debentures, debenture stocks, bonds, obligations or securities issued by any company carrying on or authorised to carry on any business which the company is authorised to carry on.

7. To promote, form, register, aid in the promotion, formation and registration of any company or companies, subsidiary or otherwise for the purpose of acquiring all or any of the properties, rights and liabilities of this Company and to transfer to any such company any property of this Company and be interested in or take or otherwise acquire, hold, sell or otherwise dispose of shares, stock, debentures, and other securities in or of any such company, subsidiary or otherwise for all or any of objects mentioned in this Memorandum and to assist any such Company and to undertake the management and secretarial or other work, duties and business on such terms as may be arranged.

8. As per the Companies Act, 1956 and the Regulations made there under, to borrow, raise or secure the payment, of any money or to receive money as loan on interest for any of the Objects of the Company and at such time or times as may be thought fit, by promissory notes, bills of exchange, bills of lading, warrants or other negotiable instruments or taking credit by opening current accounts or over-draft accounts with any person, firm, bank or company and whether with or without any security or by such other means as the Directors may in their absolute discretion deem expedient and in particular by the issue of debentures or debenture stock, perpetual or otherwise and in security for any such money so borrowed raised or received and of any such debentures or debenture stock so issued, to mortgage, pledge or charge the whole or any part of the property and assets of the Company, both present and future, including its uncalled capital, by special assignment or otherwise or to transfer or convey the same absolutely in trust and to give the lenders power of sale and other powers as may seem expedient and to purchase, redeem or pay off such securities, provided that the Company shall not carry on the business of banking within the meaning of Banking Regulation Act, 1949. Acceptance of deposits is subject to Section 58-A of the Companies Act, 1956.

9. To give to any officers, servants or employees of the Company any share or interest in the profits of the Company's business or any branch thereof and whether carried on by means or through the agency of any subsidiary company or not and for that purpose to enter into any arrangements the Company may think fit.

10. To institute and to defend any suit, appeal, petition, application of any nature whatsoever or to take out execution or refer or agree to refer any claim, demand, dispute or any other question, by or against the Company or in which the Company is interested or concerned and whether between the Company and the member or members or his or their representative or between the Company and third parties, to arbitration in India or at any place outside India and to observe and perform and to do all acts, deeds, matters and things to carry out or enforce the awards.

11. To pay out of the funds of the Company all costs, charges and expenses which the Company may lawfully pay with respect to the promotion, formation and registration of the Company and/or the issue of its capital or which the Company shall consider to be preliminary, including therein the cost of advertising, printing and stationery and commission for obtaining application for taking, placing or underwriting or procuring the underwriting of shares, debentures or other securities of the Company and expenses attendant upon the formation of agencies, branches and local boards.

12. To lend and advance money or to give credit to such person or companies or to receive money on deposit or to borrow or raise money with or without security, and on such terms as may seem expedient and in particular to customers and others having dealings with the Company and to guarantee or become liable for the payment or repayment of moneys or the satisfaction, observance or performance of any obligation or liability undertaken or incurred by the Company in such manner as the Company thinks fit and in particular by mortgage or charge upon the undertaking or any part of the undertaking of the company or upon all or any assets of the Company or by the creation and issue of debentures or debenture stock (perpetual or terminable) charges as aforesaid or constituting or supported by a floating charge upon present and future property including unclaimed and called unpaid capital.

13. To act as agents or brokers and as trustees for any person or company and to undertake and perform sub-contracts and to do all or any of the above things in any part of the world and as principals, agents, contractors or trustees or otherwise and either alone or jointly with others and to procure the recognition of the Company in any country, state or place and to establish and regulate agencies for the purpose of the Company's business.

14. Subject to the provisions of any laws on force to buy and sell foreign currency and exchange and to accept money for remittance to all countries and accept deposit of money on loan at interest or without interest for the purpose of the business of the Company.

15. Subject to the provisions of the Companies Act, 1956, to distribute in specie or otherwise as any property of the Company or any proceeds of sale or disposal of any property of the Company in the event of winding up of the Company.

16. Operate branch of a business which this Company is authorised to carry on by means or through the agency of any subsidiary company or companies and to enter into any arrangement with any such subsidiary company for taking the profits and bearing the losses of any business or branch so carried on, or for financing any such subsidiary company or guaranteeing its liabilities, or to make any other arrangements, which may seem desirable with reference to any business or branch so carried on in India or abroad, including power at any time either temporarily or permanently to close any such business or branch and to act as Managers or to appoint Directors of Managers of any such subsidiary company.

17. To establish and or aid in the establishment and or support of and to make donations or subscription to or to subsidise any association, fund, institution, place of worship, school, society or any other body for any whatsoever object or purpose.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Sanjeev Gajanan Joglekar, Director of the Company, retire by rotation and, being eligible, offer himself for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Director's responsibility statement, your Directors confirm that:

a. In the preparation of the annual accounts for the Financial year ended March 31, 2014, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

b. The accounting policies selected have been applied consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year of the Company for the year under review;

c. Proper and sufficient care has been taken 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 annual accounts for Financial Year ended March 31, 2014 had been prepared on a going concern basis.

**AUDITORS**

M/s RMA & Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Further, the Company has received the letter from M/s RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 139 and Section 141 of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Section 141 of the Companies Act, 2013.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

**SUBSIDIARY COMPANY:**

The Company did not have any subsidiary Company during the period under review.

**APPOINTMENT OF KEY PERSONNEL:**

During the financial year the company was not having any employee on the roll. The company has identified key positions and it was planned to appoint all the key personnel shortly.

**FIXED DEPOSIT**

Your company has not accepted any deposits from public and as such, no amount of principal or interest thereon was outstanding as on the date of the Balance Sheet.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The particulars prescribed Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with 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, are given in 'Annexure A' to the Directors' Report.

**PARTICULARS OF EMPLOYEES**

As there was no employees drawing remuneration more than the limit prescribed under Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, Statement under section 217(2A) is not annexed.

**APPRECIATION**

The Board of Directors takes this opportunity to thank its stakeholders including the promoter (BFL Group) and Government for their continued support to the Company.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

| | | |
|---|---|---|
| **Place: Delhi** | **Kishore Mukund Saletore** | **Sanjeev Gajanan Joglekar** |
| **Date: May 10, 2014** | **Director** | **Director** |

## 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, 2014:**

### (A) Conservation of Energy

**a. Energy Conservation measures taken during 2013-2014**

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:**

| | (Amount in Rupees) |
|---|---|
| Foreign Exchange earned | NIL |
| Foreign Exchange used | NIL |
| Net Foreign Exchange earned | NIL |

**For and on behalf of the**
**Board of Directors**

| | | |
|---|---|---|
| **Place: Delhi** | **Kishore Mukund Saletore** | **Sanjeev Gajanan Joglekar** |
| **Date: May 10, 2014** | **Director** | **Director** |

## Independent Auditor's Report

**To the Members of Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited ) (The Company)**,

**Report on the Financial Statements**

We have audited the accompanying financial statements of **Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited ) (The Company)**, which comprise the Balance Sheet as at 31stMarch, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Company's preparation and fair presentation of the financial statements 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 Companies internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 ouraudit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, in the manner so required and 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 31stMarch, 2014;
(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

**Report on Other Legal and Regulatory Requirements**

1. As required by section 227(3) of the Act, I report that:

    a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

    d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956read with the General Circular 15/2013 dated 13th September 2013 of Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013; and

    e. on the basis of written representations received from the directors as on 31stMarch 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31stMarch 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For: RMA & ASSOICIATES
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 10.05.2014

( PANKAJ CHANDER )
Partner
Membership No.: 089065

# Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited )

## Balance Sheet as at 31st March, 2014

(Amount in RS)

| As at March 31, | Note | 2014 | 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 500,000.00 | 500,000.00 |
| Reserves and surplus | 3 | (713,782.00) | (482,163.00) |
| **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 | 4 ( a ) | 200,000.00 | - |
| Short-term provisions | 4 ( b ) | 30,899.00 | 28,090.00 |
| | | | - |
| **Total** | | **17,117.00** | **45,927.00** |
| **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 | | | |
| Inventories | | - | - |
| Trade receivables | | - | |
| Cash and cash equivalents | 5 | 11,982.00 | 35,659.00 |
| Short-term loans and advances | | | - |
| Other current assets | 6 | 5,135.00 | 10,268.00 |
| **Total** | | **17,117.00** | **45,927.00** |

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: 000978N

On behalf of the Board of Directors

| | | |
|---|---|---|
| Pankaj Chander | Kishore Saletore | S.G. Joglekar |
| Partner | Director | Director |

Membership No 089065
Place: Delhi
Date:10.05.14

**Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited )**

## Statement of Profit and Loss As on 31st March 2014

(Amount in RS)

| For the 31st March | NOTE | 2014 | 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | | - | - |
| Other income | | - | - |
| **Total Revenue** | | - | - |
| **Expenses:** | | | |
| Employee benefits expense | | - | - |
| Finance costs | | - | - |
| Depreciation and amortization expense | | - | - |
| Administration and other expenses | **7** | 231,619.00 | 217,154.00 |
| Prior period items (Net) | | - | - |
| **Total expenses** | | 231,619.00 | 217,154.00 |
| Profit before exceptional and extraordinary items & tax | | (231,619.00) | (217,154.00) |
| **Exceptional items** | | - | - |
| Profit before extraordinary items and tax | | (231,619.00) | (217,154.00) |
| **Extraordinary Items** | | - | - |
| Profit before tax | | (231,619.00) | (217,154.00) |
| **Tax expense:** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit for the period from continuing operation | | (231,619.00) | (217,154.00) |
| Profit/ (Loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/(Loss) from discontinuing operations (after tax) | | - | - |
| Profit/(Loss) for the period | | **(231,619.00)** | **(217,154.00)** |
| Earnings per equity share: | | (4.63) | (4.34) |
| Basic | | (4.63) | (4.34) |
| Diluted | | | |

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: 000978N

On behalf of the Board of Directors

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date:10.05.14

Kishore Saletore
Director

S.G. Joglekar
Director

**Notes to financial statements for the year ended 31st March 2014**

**Note 1**

**Corporate Information:**

1. Kalyani Strategic System Limited (formerly known as BF Power Equipment Limited ) (KSSL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. KSSL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited, Kalyani Strategic System Limited to engage in and conduct the business of scientific, technical and other research and development in any field, particularly in the field of developing/ deploying advance defense, Aerospace and other strategic areas and other technologies, electronics, computer software, mechanics and electrical, systems integration, training systems, opto-electronics, communications, composites, and mechanical engineering; to manufacture, design, implement, test and experiment all kinds of equipment to originate, develop and improve any discoveries, inventions, technology, processes and formulate, turn to account , particularly to integrate, manufacture, purchase or otherwise acquire, own, hold, operate, sell, import, export or otherwise transfer, lease, license the use of, distribute or otherwise dispose of and generally to manufacture, assemble, develop and sell equipment , technology and property of every kind and description, including without limitation of generality of the foregoing, electronic, electrical, micro; mini; & main frame computer software and hardware, digital and analogue data processing devices and systems, computer related technologies, information systems and processes and mechanical devices, apparatus, tools, utensils, receptacles, substances, appliances, equipment and machines and parts thereof and also to create, reproduce, amplify, receive, transmit and retain sound, signals, communications for use in a variety of end user segments, including the Defense Forces, customers, enterprises and the Government and also for all other processes, matters and things and to establish, provide, maintain and conduct or otherwise subsidize research & development, technical laboratories and experimental workshops for scientific and technical research and experiments, and to undertake and carry on with all scientific and technical researches, experiments and tests of all kinds and generally to encourage, promote and reward; researches, investigations, experiments, tests, discoveries and invention of any kind that may be considered likely to assist any of the business which the Company is authorized to carry on. 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.

**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.

**e) Employee Benefits**:

1. Long term and Short term Post-employment benefits plan :

   Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

   For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the statement of profit and loss for the period in which they occur. Past service cost is recognized immediately, to the extent the benefits are already vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service costs, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to the present value of the available refunds and reductions in future contributions to the scheme.

2. Short term employee benefits :

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders the service.

**f) 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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

**g) Provisions, Contingent Liabilities and Contingent Assets:**

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. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability.

## Related Party Disclosure:

**A. Detail of related parties (as certified by management):**

| | |
|---|---|
| **Key Managerial Personnel** | **Directors:**<br>Sanjeev Gajanan Joglekar<br>Kishore Mukund Saletore<br>Sunil Kumar Chaturvedi |
| **Holding Company** | Bharat Forge Limited |

For RMA & Associates
Chartered Accountants
Firm Registration Number: 000978N

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 10.05.2014

For Kalyani Strategic System Limited ( formerly known as BF Power Equipment Limited )

Kishore Saletore
Director

S.G. Joglekar
Director

## Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited )

## Note No. 2 to the Financial Statements

**2. Share Capital**

| As at March 31, | 2014 | 2013 |
|---|---|---|
| **Authorized Shares ( No.)** | | |
| 50000 shares of par value of Rs.10/- each (Previous year 50000shares of par value of Rs.10/- each) | **500,000.00** | **500,000.00** |
| **Issued Subscribed and Fully Paid** | | |
| 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) | **500,000.00** | **500,000.00** |

**(a) Reconciliation of the shares outstanding at the beginning and the at the end of the reporting period**

| **Equity Shares** | **As at March 31, 2014** | | **As at March 31, 2013** | |
|---|---|---|---|---|
| | **No.** | **In Rs.** | **No.** | **In Rs.** |
| At the begining of the year | 50,000.00 | 500,000.00 | 50,000.00 | 500,000.00 |
| Issued During the year | - | - | - | - |
| Outstanding at the year end | 50,000.00 | 500,000.00 | 50,000.00 | 500,000.00 |

The Company has only one class of equity shares having a par value of Re. 10 per share. Each holder of equity is entitled to one vote per share.

In event of liquidation of the Company, the total proceeds from such liquidation event remaining to be distributed among the holders of the shares of the Company after discharging the liabilities of the Company.

**Details of Equity Shareholders holding more that 5% shares in the company**

| **Particulars** | **31 March 2013** | | **31 March 2012** | |
|---|---|---|---|---|
| | **No.** | **% Holding** | **No.** | **% Holding** |
| Bharat Forge Limited | 49,994 | 100% | 49,994 | 100% |
| **Total** | **49,994.00** | **100%** | **49,994.00** | **100%** |

**This space is intentionally left blank**

## Kalyani Strategic Systems Limited ( Formerly known as BF Power Equipment Limited )
## Notes to financial statements for the year ended 31st March 2014

(Amount in Rs)

### 3. Reserve and Surplus

| As at March 31, | 2014 | 2013 |
|---|---|---|
| **Surplus/( Deficit ) in the Statement of Profit and Loss Account** | | |
| Balance as per last Financial Statement | (482,163.00) | (265,009.00) |
| Add(Less):-Profit (Loss) after tax for the year | (231,619.00) | (217,154.00) |
| **Closing Balance** | **(713,782.00)** | **(482,163.00)** |

### 4 ( a ). Other Current Liabilities

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Amount Payable to Bharat Forge Ltd. | 200,000.00 | - |
| **Total** | **200,000.00** | **-** |

### 4 ( b ). Short Term Provision

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Audit Fees Payable | 28,149.00 | 25,281.00 |
| Duties And Taxes | 2,750.00 | 2,809.00 |
| **Total** | **30,899.00** | **28,090.00** |

### 5. Cash and Cash Equivalent

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Balances with Banks | 10,566.00 | 35,168.00 |
| Cash on hand | 1,416.00 | 491.00 |
| **Total** | **11,982.00** | **35,659.00** |

### 6. Other Current Assets

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Miscelleneous Expenditure to the extent not written off | 5,135.00 | 10,268.00 |
| **Total** | **5,135.00** | **10,268.00** |

### 7. Administration and Other Expenses

| As at March 31, | 2014 | 2013 |
|---|---|---|
| Audit fee | 30,899.00 | 28,090.00 |
| Professional charges and consultancy fees | 168,540.00 | 168,540.00 |
| Legal expenses | 27,047.00 | 15,391.00 |
| Preliminary Exps. Written off | 5,133.00 | 5,133.00 |
| **Total** | **231,619.00** | **217,154.00** |

## Kalyani ALSTOM Power Limited

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. B. N. Kalyani | 14th Floor, Antariksha Bhavan, | S. N. Dhawan & Co |
| Mr. A. B. Kalyani | 22, Kasturba Gandhi Marg, | Chartered Accountants |
| Mr. V. K. Jain | New Delhi - 110 001. | C37, Connaught Place, |
| Mr. Patrik A. P. Ledermann | | New Delhi 110 001 |
| Mr. Philippe H. C. Cochet | | |

# DIRECTORS' REPORT

**To the members of Kalyani ALSTOM Power Limited**

Your Directors have pleasure in presenting the Fourth Annual Report and Audited Statement of Accounts for the Financial Year ended on March 31, 2014.

**Financial Highlights**

As the company could not start business operations during the year, it has incurred a net loss of Rs. 3,19,88,756.00/-. The financial results are summarized below:

*(Amount in Rupees)*

| Particulars | Financial Year ended on March 31, 2014 | Financial Year ended on March 31, 2013 |
|---|---|---|
| Net Sales | NIL | NIL |
| Other Income | 60,54,112 | 34,230 |
| Total Revenue | **60,54,112** | **34,230** |
| (Increase)/ Decrease in inventories of work-in-progress | - | - |
| Personnel Expenses | 1,22,12,340 | 4,00,02,780 |
| Operating and Other Expenses | 10,8,23,840 | 2,78,22,357 |
| Financial Expenses | 85,28,095 | 91,169 |
| Total Expenses | **3,15,64,275** | **6,79,16,306** |
| PBDIT | (2,55,10,163) | (6,78,82,076) |
| Depreciation/Amortization | 64,78,593 | 34,62,751 |
| PBIT | (3,19,88,756) | (7,13,44,827) |
| Current Tax | NIL | NIL |
| PAT | **(3,19,88,756)** | **(7,13,44,827)** |
| Basic Earnings / (Loss) per Share | (0.64) | (1.44) |
| Diluted Earnings / (Loss) per Share | (0.64) | (1.44) |

**Share Capital**

During the period under review your Company had not raised its equity capital and there is no change in the authorized share capital as well as issued and paid up share capital of the company.

**Dividend**

Since the company could not start business operations during the year and the Company does not have any distributable profits, the Board is not in a position to recommend any dividend for the year ended March 31, 2014.

**Operations Review**

**Progress of Mundra Factory Construction**

Construction of factory at Mundra (Gujarat) has been stopped in compliance with order of the Hon'ble Gujarat High Court dated May 09, 2012 in a Public Interest Litigation (PIL) filed in respect of the absence of Environmental Clearance to Adani Port and Special Economic Zone (APSEZ). Since then, the Company had stopped its construction work at site.

The Company continues to put all its best efforts and is pursuing with APSEZ, Ministry of Environment and Forest and all other concerned authorities to get this issue resolved, so that your Company is able to resume construction of Factory at Mundra.

**Merger of the Company with ALSTOM Bharat Forge Power Limited (ABFPL)**

The Board of Directors in its meeting held on 28th August, 2013 considered and granted in principle approval for the proposal of Amalgamation of the Company with ALSTOM Bharat Forge Power Limited (ABFPL) and subsequently approved the scheme in its meeting held on 22nd October, 2013, pursuant & in lines of the recommendations and valuation report of M/s Pravin P. Shah, Chartered Accountants and to consolidate the business operations, leading to synergies of operations, economies of scale, reducing and aligning costs and to increase the net worth of the merged entity.

On 20th November, 2013, the Company had filed a joint application with ABFPL to the Competition Commission of India (CCI) for proposed combination under the provisions of Competition Act, 2002 and accordingly the CCI has approved the same vide its order dated 10th December, 2013.

Further, a Scheme of Amalgamation has been filed amongst the Company and ALSTOM Bharat Forge Power Limited and their respective Shareholders and Creditors to the Hon'ble High Court of Delhi on 10th February, 2014. The Hon'ble High Court of Delhi on 14th February, 2014 directed the dispensation for convening the meeting of Shareholders & Unsecured creditors and ordered the secured creditors meeting to be held on 29th March, 2014 for this purpose. Further in the meeting held on 29th March, 2014, the secured creditors gave their respective consent(s) approving the scheme of Amalgamation between both the Companies.

**Directors**

In accordance with the provisions of Section 152(6) of the Companies Act, 2013 and Articles of Association of the Company, Vijay Kumar Jain, Managing Director of the Company, retires by rotation and, being eligible, offered himself for re-appointment as Director at the ensuing Annual General Meeting.

**Company Secretary**

Mr. Manu Kumar Garg, Company Secretary has resigned from the Office of the Company w.e.f. 22nd October, 2013. Subsequently, Board of Directors of the Company in their meeting held on December 23, 2013 has approved the appointment of Mr. Harry Arora as the Company Secretary of the Company with effect from November 07, 2013.

**Directors' Responsibility Statement**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 (corresponding to Section 134(5) of the Companies Act, 2013), with respect to Director's Responsibility Statement, it is hereby confirmed that:

a. the applicable Accounting Standards have been followed in the preparation of the annual accounts for the Financial year ending March 31, 2014, and there are no material departures;

b. the Directors have 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, 2014 and of the profit and loss of the Company for the year under review;

c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d. the Directors had prepared the annual accounts for the Financial Year ended March 31, 2014, on a going concern basis.

**Subsidiary Companies**

The Company did not have any subsidiary Company during the period under review.

**Fixed Deposit**

Your Company has not accepted any deposits from public and as such, no amount of principal or interest thereon was outstanding as on the date of the Balance Sheet.

**Particulars of employees**

As there was no employee drawing remuneration more than the limit 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.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earning 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, (corresponding to Section 134(1)(m) of the Companies Act, 2013) are given in Annexure-A, which forms part of this Director's report.

**Environment Compliance:**

The company complies with all requirements regarding management of pollutants of manufacturing units.

The company has already obtained all environment consents related to Air, Water and hazardous waste from Pollution Control Board and are in compliance with the present environment legislation as may be required till 31$^{st}$ March, 2014.

**Audit Committee**

The Audit committee comprises of following three members as at 31$^{st}$ March, 2014.

1. Mr. Babasaheb Neelkanth Kalyani
2. Mr. Patrick Ledermann
3. Mr. Vijay Kumar Jain

The terms of the reference of the Audit committee include the matters as required under Section 292A of the Companies Act 1956 (corresponding to Section 177 of the Companies Act, 2013). The committee acts as a link between the Statutory/ Internal Auditors and the Board of Directors of the company.

**Auditors**

M/s S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration no. 101049W), Statutory Auditors of the Company tendered their resignation on August 20, 2013 with immediate effect. Subsequently, M/s S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration no. 301003E) were appointed as Statutory Auditors of the Company by the Board of Directors in its meeting held on 28th August, 2013 and the same was confirmed by the shareholders in the Extra Ordinary General Meeting held on December 23, 2013.

On January 21, 2014, M/s S. R. Batliboi & Co. LLP, Chartered Accountants tendered their resignation stating their inability to continue as Statutory Auditors of the Company with immediate effect. Consequent upon their resignation, M/s S. N. Dhawan & Co., Chartered Accountants (Firm Registration no. 000050N) were appointed as Statutory Auditors of the Company by the Board of Directors in its meeting held on January 28, 2014 and the same was confirmed by the shareholders in the Extra Ordinary General Meeting held on February 03, 2014.

M/s S. N. Dhawan & Co., Chartered Accountants, Statutory Auditors of the Company holds office, until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment.

Further, 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 139 and Section 141 of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Section 141 of the Companies Act, 2013.

**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.

| | For and on behalf of the Board of Directors | For and on behalf of the Board of Directors |
|---|---|---|
| **Place: Noida**<br>**Date: 1st May, 2014** | **Vijay Kumar Jain**<br>**CEO & Managing Director**<br>**DIN: 05150615** | **Patrick Ledermann**<br>**Director**<br>**DIN: 05219344** |

**Annexure – A to Directors' Report**

**Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo- Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**
(Corresponding to Section 134(1)(m) of the Companies Act, 2013)

**(A) Conservation of Energy**

1) **Energy Conservation measures taken during 2013-2014**

   The project is under implementation; however, the employees were adequately trained to conserve energy.

2) **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:

| | (In INR) |
|---|---|
| Foreign Exchange earned | 37,32,022 |
| Foreign Exchange used | 48,19,907 |
| Net Foreign Exchange earned | (10,87,885) |

| | For and on behalf of the Board of Directors | For and on behalf of the Board of Directors |
|---|---|---|
| **Place: Noida** | _________________ | ___________________ |
| **Date: 1st May, 2014** | **Vijay Kumar Jain** | **Patrick Ledermann** |
| | **CEO & Managing Director** | **Director** |
| | **DIN: 05150615** | **DIN: 05219344** |

# INDEPENDENT AUDITOR'S REPORT

**To the Members of**
**Kalyani ALSTOM Power Limited**

### Report on the Financial Statements

1. We have audited the accompanying Financial Statements of **Kalyani ALSTOM Power Limited** (the "Company"), which comprise the Balance Sheet as at **March 31, 2014**, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Board of Directors' Responsibility for the Financial Statements

2. Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 of material misstatement.

4. 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 Company's preparation and fair presentation of the financial statements 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 the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## Emphasis on Matter

6. We draw your attention to Note No. 24 regarding the uncertainty arising out of the stay imposed by the Hon'able High Court of Gujarat on the development and construction work being carried out by the Company to set up a manufacturing facility at Adani Port and Special Economic Zone (APSEZ) prior to the developer of the SEZ obtaining clearance from the ministry of environment and forests. The future outcome of the matter cannot presently be determined and hence no impact thereof has been considered by the management in the preparation and presentation of these financial statements. Our opinion is not qualified in respect of this matter.

## Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act 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, 2014;
   (b) In the case of the Statement of Profit and Loss, of the profit 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.

**Report on Other Legal and Regulatory Requirements**

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

9. As required by Section 227 (3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) 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 Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;

   (e) On the basis of written representations received from the directors, as at March 31, 2014 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**For S. N. Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. No.: 000050N**

**Vijay Dhawan**
**Partner**
**M. No.: 12565**

**Place: Noida**
**Date: May 1, 2014**

## Annexure to the Independent Auditor's Report

**Referred to in paragraph 8 of the Independent Auditor's Report of even date to the members of Kalyani ALSTOM Power Limited on the financial statements as of and for the year ended March 31, 2014.**

(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 items over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.

(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

(ii) The Company does not have inventories as at March 31, 2014. Therefore provisions of clause 4 (ii) of the Order is not applicable to the Company.

(iii)

(a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in register maintained under Section 301 of the Act. Therefore, the provisions of clause 4 (iii) [(b), (c) and (d) of the said Order are not applicable to the Company.

(e) The Company has taken loan from one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 821,085,792 and year-end balance of loan taken from such company was ₹ 821,085,792.

(f) In our opinion, the rate of interest and other terms and conditions on which loan have been taken from company, firms or other parties covered listed in the register maintained under Section 301 of the Companies Act, 1956 are not, *prima facie,* prejudicial to the interest of the Company.

(g) The loan taken is re-payable on demand and interest thereon shall be paid at the time of repayment of the principal amount. As informed, the lender has not demanded repayment of the loan during the year, thus, there has been no default on the part of the Company.

(iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and rendering of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.

(v)

(a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts and adjustments that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix)

(a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues including investor education and protection fund, wealth tax, custom duty, excise duty and other material statutory dues as applicable, with appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty and excise duty were in arrears, as at March 31, 2014 for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, and the records of the Company examined by us, there are no dues of wealth tax, income tax, sales tax, service tax and excise duty and customs duty which have not been deposited on account of any dispute.

(x) The Company has been registered for a period 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 percent or more of its net worth or whether it has incurred cash losses during current year and in the immediately preceding financial year.

(xi) As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.

(xiii) As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4 (xiii) of the Order 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 Order are not applicable to the company.

(xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order is not applicable to the Company.

(xvi) The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order is not applicable to the Company.

(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 there are 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 and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.

(xix) The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.

(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 material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

**For S. N. Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. No.: 000050N**

**(Vijay Dhawan)**
**Partner**
**M. No.: 12565**

**Place: Noida**
**Date: May 1, 2014**

**Kalyani ALSTOM Power Limited**
**CIN: U29128DL2010PLC197806**
**Balance sheet as at March 31, 2014**

| | Notes | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Shareholders' funds** | | | |
| Share capital | 3 | 500,000,000 | 500,000,000 |
| Reserves and surplus | 4 | (171,818,881) | (139,830,125) |
| | | **328,181,119** | **360,169,875** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 5 | - | 647,300,000 |
| Other Long term liabilities | 8 | - | 24,691,709 |
| Long-term provisions | 6 | 198,278 | 194,143 |
| | | **198,278** | **672,185,852** |
| **Current liabilities** | | | |
| Short-term Borrowings | 7 | 821,085,792 | 118,930,160 |
| Trade Payables | 8.1 | - | - |
| Other current liabilities | 8.2 | 13,069,292 | 12,543,518 |
| Short term provisions | 6 | 652,520 | 2,443,500 |
| | | **834,807,604** | **133,917,178** |
| **TOTAL** | | **1,163,187,001** | **1,166,272,905** |
| **Assets** | | | |
| **Non-current assets** | | | |
| **Fixed assets** | | | |
| Tangible assets | 9.1 | 89,835,560 | 95,390,343 |
| Intangible assets | 9.2 | 246,579 | 1,170,389 |
| Capital work-in-progress | 10 | 959,596,119 | 833,423,720 |
| Loans and Advances | 11 | 104,104,585 | 207,564,732 |
| Other Non-Current Assets | 12 | - | 6,344,827 |
| | | **1,153,782,844** | **1,143,894,011** |
| **Current assets** | | | |
| Cash and bank balances | 13 | 9,404,157 | 15,241,672 |
| Loans and advances | 11 | - | 6,724,627 |
| Other Current Assets | 12 | - | 412,596 |
| | | **9,404,157** | **22,378,895** |
| **TOTAL** | | **1,163,187,001** | **1,166,272,905** |

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.N.Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. Number: 000050N**

**For and on behalf of the Board of Directors**

**Vijay Dhawan**
**Partner**
**Membership No: 12565**

**Vijay Kumar Jain**
**CEO & Managing Director**

**Patrick Ledermann**
**Director**

**Place: Noida**
**Date: 1st May, 2014**

**Arvind Datta**
**Chief Finance Officer**

**Harry Arora**
**Company Secretary**

**Kalyani ALSTOM Power Limited**
**CIN: U29128DL2010PLC197806**
**Statement of Profit and Loss**

| | Notes | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|---|
| **Income** | | | |
| Other income | 14 | 6,054,112 | 34,230.00 |
| **Total revenue (I)** | | **6,054,112** | **34,230.00** |
| **Expenses** | | | |
| Employee benefits expense | 15 | 12,212,340 | 40,002,780 |
| Other expenses | 16 | 10,823,840 | 27,822,357 |
| **Total (II)** | | **23,036,180** | **67,825,137** |
| **Earnings before interest, tax, depreciation and amortization** | | **(16,982,068)** | **(67,790,907)** |
| Depreciation and amortization expense | 9 | 6,478,593 | 3,462,751 |
| Finance costs | 17 | 8,528,095 | 91,169 |
| **Loss before tax** | | **(31,988,756)** | **(71,344,827)** |
| **Tax expenses** | | | |
| Current tax | 27 | - | - |
| Deferred tax | 27 | - | - |
| **Total tax expense** | | **-** | **-** |
| **Loss for the year** | | **(31,988,756)** | **(71,344,827)** |
| **Earnings per equity share [nominal value of share ₹ 10 ]** | 18 | | |
| Basic | | (0.64) | (1.44) |
| Diluted | | (0.64) | (1.44) |
| 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.N.Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. Number: 000050N**

**For and on behalf of the Board of Directors**

**Vijay Dhawan**
**Partner**
**Membership No: 12565**

**Vijay Kumar Jain**
**CEO & Managing Director**

**Patrick Ledermann**
**Director**

**Place: Noida**
**Date: 1st May, 2014**

**Arvind Datta**
**Chief Finance Officer**

**Harry Arora**
**Company Secretary**

**Kalyani ALSTOM Power Limited**
**CIN: U29128DL2010PLC197806**
**Cash flow statement**

| | March 31, 2014 ₹ | March 31, 2013 ₹ |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loss before tax from operations | (31,988,756) | (71,344,827) |
| **Adjustments for:** | | |
| Depreciation/ amortization | 6,478,593 | 3,462,751 |
| Interest Income | - | (34,230) |
| Income on writeback of excess provisions | (1,884,739) | - |
| Capital advances written off | (1,783,000) | - |
| **Operating loss before working capital changes** | **(29,177,902)** | **(67,916,306)** |
| Movements in working capital : | | |
| Increase/ (decrease) in provisions | 97,894 | 1,391,643 |
| Increase/ (decrease) in Trade Payables and other liabilities | (24,165,935) | 66,042,334 |
| Decrease / (increase) in inventories | - | 2,059,447 |
| Decrease / (increase) in loans and advances | 110,184,774 | (7,146,690) |
| Decrease / (increase) in other non-current assets | 6,757,423 | 1,385,434 |
| **Cash used in operations** | **63,696,254** | **(4,184,138)** |
| Direct taxes paid (net of refunds) | - | 225,119 |
| **Net cash flow used in operating activities (A)** | **63,696,254** | **(3,959,019)** |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets, including CWIP and capital advances | (124,469,399) | (241,038,018) |
| Proceeds from sale of assets | 80,000 | - |
| Interest received | - | 34,230 |
| **Net cash flow (used in) investing activities (B)** | (124,389,399) | (241,003,788) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from long-term borrowings | - | 157,300,000 |
| Proceeds from short-term borrowings | - | 500,000,000 |
| Repayment of short-term borrowings | - | (500,000,000) |
| Repayment of long-term borrowings | (647,300,000) | - |
| **Net cash flow from financing activities (C)** | (647,300,000) | 157,300,000 |
| | | |
| **Net increase in cash and cash equivalents (A + B + C)** | (707,993,146) | (87,662,807) |
| Cash and cash equivalents at the beginning of the year | 15,241,672 | 102,904,479 |
| **Cash and cash equivalents at the end of the year** | (692,751,474) | 15,241,672 |
| | | |
| **Components of cash and cash equivalents** | | |
| Cash on hand | 9,169 | 14,511 |
| With banks- on current account | 9,394,988 | 15,227,161 |
| **Total cash and cash equivalents (note 13)** | 9,404,157 | 15,241,672 |

1. The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956.
2. Figures in brackets indicate cash outflow.
3. The notes are an integral part of these financial statements.

4. Previous year amounts have been regrouped/reclassified, wherever necessary, to conform with current year's presentation.

As per our report of even date
**For S.N.Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. Number: 000050N**

**For and on behalf of the Board of Directors**

**Vijay Dhawan**
**Partner**
**Membership No: 12565**

**Vijay Kumar Jain**
**CEO & Managing Director**

**Patrick Ledermann**
**Director**

**Place: Noida**
**Date: 1st May, 2014**

**Arvind Datta**
**Chief Finance Officer**

**Harry Arora**
**Company Secretary**

## 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.

## 2.1 Summary of significant accounting policies

### a. 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.

### b. 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.

### c. 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.

**d. Depreciation/amortization on intangible fixed assets**

Computer software is amortized using straight line method over lower of license period or a period of 1-3 years, being the estimated useful life.

**e. 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.

**f. 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.

**g. 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.

**h. 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.

**i. 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.

**j. 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 account 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 Statement of Profit and Loss account and are not deferred.

**k. 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.

**l. 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.

**m. 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.

**n. 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.

**o. 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.

**p. 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.

**q. 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.

## 3 Share capital

| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
|---|---|---|
| **Authorised shares** | | |
| 125,000,000 (March 31, 2013 : 125,000,000) equity shares of ₹ 10 each | 1,250,000,000 | 1,250,000,000 |
| **Issued, subscribed and fully paid-up shares** | | |
| 50,000,000 (March 31, 2013 : 50,000,000) equity shares of ₹ 10 each | 500,000,000 | 500,000,000 |

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

**Equity shares:**

| | As at March 31, 2014 Number | As at March 31, 2014 ₹ | As at March 31, 2013 Number | As at March 31, 2013 ₹ |
|---|---|---|---|---|
| At the beginning of the year | 50,000,000 | 500,000,000 | 37,037,500 | 370,375,000 |
| Issued during the year | - | - | 12,962,500 | 129,625,000 |
| Outstanding at the end of the year | 50,000,000 | 500,000,000 | 50,000,000 | 500,000,000 |

**(b) Terms/ rights attached to equity shares**

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.
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** | As at 31 March 2014 ₹ | As at 31 March 2013 ₹ |
|---|---|---|
| Bharat Forge Limited | | |
| 25,500,000 (March 31, 2013: 25,500,000) equity shares of ₹ 10 each fully paid | 255,000,000 | 255,000,000 |

**(d) Details of shareholders holding more than 5% shares in the company**

| **Name of the shareholder** | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| Equity shares of ₹ 10 each fully paid | | | | |
| Bharat Forge Limited | 25,500,000 | 51% | 25,500,000 | 51% |
| ALSTOM Power Holdings, SA | 24,500,000 | 49% | 24,500,000 | 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, 2014 ₹ | As at March 31, 2013 ₹ |
|---|---|---|
| **Surplus/ (deficit) in the Statement of Profit and Loss** | | |
| Balance as per last financial statements | (139,830,125) | (68,485,298) |
| Loss for the year | (31,988,756) | (71,344,827) |
| **Net surplus/ (deficit) in the Statement of Profit and Loss** | **(171,818,881)** | **(139,830,125)** |
| **Total reserves and surplus/ (deficit)** | **(171,818,881)** | **(139,830,125)** |

## 5 Long-term borrowings

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| **Term loans** | | | | |
| Indian rupee loan from banks (secured) | - | 121,447,398 | - | - |
| Indian rupee loan from banks (unsecured) | - | 525,852,602 | - | - |
| | **-** | **647,300,000** | **-** | **-** |

The term loan was availed by the Company under the Facility Agreement dated September 19, 2011 from the consortium of Banks. The Loan amount of ₹ 647,300,000 (along with the Interest) was prepaid in the month of March, 2014 by seeking financial assistance from ALSTOM Bharat Forge Power Limited.

## 6 Provisions

| | Non current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| **Provision for employee benefits** | | | | |
| Provision for gratuity ( Refer Note 19 ) | 198,278 | 194,143 | - | 1,120,500 |
| Provision for leave benefits | - | - | 652,520 | 1,323,000 |
| | **198,278** | **194,143** | **652,520** | **2,443,500** |

## 7 Short-term borrowings

| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
|---|---|---|
| Advances from ALSTOM Bharat Forge Power Limited | 821,085,792 | 118,930,160 |
| | **821,085,792** | **118,930,160** |

## 8 Trade Payables and other liabilities

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| **8.1 Trade payable** | | | | |
| Trade payables (Refer note 23) | - | - | - | - |
| **8.2 Other liabilities** | | | | |
| Interest accrued and due on Secured Borrowings | - | - | - | 4,144,658 |
| Interest accrued on advances | - | - | 7,038,524 | - |
| Creditors for capital goods | - | - | 4,300,000 | - |
| Retention money payable to contractor | - | 24,691,709 | - | - |
| Statutory dues | - | - | 1,714,268 | 869,674 |
| Other liabilities | - | - | 16,500 | 7,529,186 |
| | **-** | **24,691,709** | **13,069,292** | **12,543,518** |

## 9 Tangible and intangible assets

### 9.1 Tangible assets

(Amount in ₹)

| | Leasehold Land | Computers | Office Equipments | Temporary Structure | Total |
|---|---|---|---|---|---|
| **Gross Block** | | | | | |
| At March 31, 2012 | 103,177,105 | 4,077,916 | 1,476,414 | 385,437 | **109,116,872** |
| Additions | - | 895,610 | 63,712 | - | **959,322** |
| Disposals | - | (49,586) | - | - | **(49,586)** |
| **At March 31, 2013** | **103,177,105** | **4,923,940** | **1,540,126** | **385,437** | **110,026,608** |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | 385,437 | 385,437 |
| **At March 31, 2014** | **103,177,105** | **4,923,940** | **1,540,126** | **-** | **109,641,171** |
| **Depreciation** | | | | | |
| At March 31, 2012 | 5,725,061 | 1,008,713 | 423,206 | 385,437 | **7,542,417** |
| Charge for the year | 5,063,778 | 1,510,028 | 520,042 | - | **7,093,848** |
| **At March 31, 2013** | **10,788,839** | **2,518,741** | **943,248** | **385,437** | **14,636,265** |
| Charge for the year | 3,439,237 | 1,617,002 | 498,544 | - | **5,554,783** |
| Disposals | - | - | - | 385,437 | **385,437** |
| **At March 31, 2014** | **14,228,076** | **4,135,743** | **1,441,792** | **-** | **19,805,611** |
| **Net Block** | | | | | |
| **At March 31, 2013** | **92,388,266** | **2,405,199** | **596,878** | **-** | **95,390,343** |
| **At March 31, 2014** | **88,949,029** | **788,197** | **98,334** | **-** | **89,835,560** |

**Note**

Leasehold Land includes payment of ₹ 101,285,626 (March 31, 2013 ₹ 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.

### 9.2 Intangible assets

(Amount in ₹)

| | Computer software | Total |
|---|---|---|
| **Gross Block** | | |
| At March 31, 2012 | 4,107,115 | 4,107,115 |
| Additions | - | - |
| **At March 31, 2013** | **4,107,115** | **4,107,115** |
| Additions | - | - |
| Disposals | - | - |
| Other Adjustments | | - |
| **At March 31, 2014** | **4,107,115** | **4,107,115** |
| **Depreciation** | | |
| At March 31, 2012 | 1,536,285 | **1,536,285** |
| Charge for the year | 1,400,441 | **1,400,441** |
| **At March 31, 2013** | **2,936,726** | **2,936,726** |
| Charge for the year | 923,810 | 923,810 |
| Other Adjustments | - | - |
| **At March 31, 2014** | **3,860,536** | **3,860,536** |
| **Net Block** | | |
| **At March 31, 2013** | **1,170,389** | **1,170,389** |
| **At March 31, 2014** | **246,579** | **246,579** |

## 10 Capital Work in Progress

| Particulars | Balance as on April 1, 2013 ₹ | Incurred for the year ₹ | Adjustments/ Sales ₹ | Balance as on March 31, 2014 ₹ |
|---|---|---|---|---|
| **Capital Expenditure** | | | | |
| Building under Construction (Land Development Charges and related expenses) | 560,477,688 | 260,381,421 | (205,518,773) | 615,340,336 |
| Plant and Machinery | 7,103,524 | 5,386,331 | - | 12,489,855 |
| Revenue expenditure capitalised as part of plant cost (refer note below) | 236,085,048 | 95,680,880 | - | 331,765,928 |
| Technology license installments [including related expenses (refer note 11)] | 29,757,460 | 11,700,077 | (41,457,537) | - |
| **As on March 31, 2014** | **833,423,720** | **373,148,709** | **(246,976,310)** | **959,596,119** |
| **As on March 31, 2013** | 555,150,607 | 278,273,113 | - | **833,423,720** |

a 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.

b The Company has reclassified Technology license expenses from capital work in progress to prepaid expense (refer note 11).

c Pre-engineered building structure included in Building under construction has been sold to associate company.

| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
|---|---|---|
| Interest on term loans from banks | 78,463,478 | 86,128,446 |
| Loan arrangement costs amortised | 6,744,827 | 3,373,083 |
| **Employee benefits expense** | | |
| Salaries, wages and bonus | 1,563,498 | 17,825,635 |
| Contribution to provident and other funds | 58,954 | 1,012,904 |
| Staff welfare expenses | 1,000 | 45,065 |
| Depreciation and amortisation expense | - | 5,063,778 |
| **Other expenses** | | |
| Rent | 5,918,736 | 9,863,969 |
| Legal and professional charges | 1,592,285 | 11,608,931 |
| Travelling and conveyance | 4,627 | 1,370,880 |
| Rates and taxes | - | 25,000 |
| Miscellaneous expenses | 1,333,475 | 908,878 |
| Interest income on bank deposits | - | (3,054,730) |
| | **95,680,880** | **134,171,839** |

**Kalyani ALSTOM Power Limited**
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## 11 Loans and advances

(Unsecured, considered good, unless otherwise stated)

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| Capital advances * | 61,022,048 | 205,671,166 | - | - |
| Security deposit | 51,152 | 217,057 | - | - |
| Advances recoverable in cash or kind | - | - | - | 6,637,002 |
| Tax deducted at source | 347,581 | 450,242 | - | - |
| Prepaid expenses | 41,457,537 | - | - | 87,625 |
| Balances with statutory / government authorities | 1,226,267 | 1,226,267 | - | - |
| **Total** | **104,104,585** | **207,564,732** | **-** | **6,724,627** |

* Capital advance amounting to ₹ 74,485,330 has been transferred to associate company during the year.

## 12 Other assets

(Unsecured, considered good unless stated otherwise)

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| Unamortized loan arrangement costs | - | 6,344,827 | - | - |
| Other receivables | - | - | - | 412,596 |
| | **-** | **6,344,827** | **-** | **412,596** |

## 13 Cash and bank balances

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ | As at March 31, 2014 ₹ | As at March 31, 2013 ₹ |
| **Cash and cash equivalents** | | | | |
| Balances with banks: | | | | |
| – On current accounts | - | - | 9,394,988 | 15,227,161 |
| Cash on hand | - | - | 9,169 | 14,511 |
| | **-** | **-** | **9,404,157** | **15,241,672** |

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## 14 Other income

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Interest income on bank deposits | 1,895 | 2,091 |
| Interest income on Income tax refund | 10,132 | 4,019 |
| Other income | 345,324 | 28,120 |
| Profit on sale of fixed Assets | 80,000 | - |
| Net gain from foreign currency transactions and translation | 3,732,022 | - |
| Writeback of excess provisions | 1,884,739 | - |
| | **6,054,112** | **34,230** |

## 15 Employee benefits expense

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Salaries, wages and bonus | 11,401,509 | 33,314,661 |
| Contribution to provident and other funds | 595,517 | 2,032,827 |
| Gratuity expense (refer note 19) | 63,638 | 2,838,189 |
| Staff welfare expenses | 151,676 | 1,817,103 |
| | **12,212,340** | **40,002,780** |

## 16 Other expenses

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Rent | 2,833,867 | 7,974,203 |
| Rates and taxes | 6,143 | 312,915 |
| Repairs and maintenance | | |
| - Others | 50,925 | 667,866 |
| Travelling and conveyance | 2,145,337 | 7,532,287 |
| Communication costs | 251,380 | 553,134 |
| Printing and stationery | 84,965 | 234,133 |
| Legal and professional fees | 2,884,906 | 7,192,204 |
| Payment to auditor (refer details below) | 598,756 | 649,550 |
| Capital advances written off | 1,783,000 | 2,141,592 |
| Miscellaneous expenses | 184,562 | 564,473 |
| | **10,823,840** | **27,822,357** |
| **Payment to auditor:** | | |
| As auditor: | | |
| Audit fee (inclusive of Service Tax) | 598,756 | 621,453 |
| Reimbursement of expenses | - | 28,097 |
| | **598,756** | **649,550** |

## 17 Finance costs

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Bank charges | 707,513 | 91,169 |
| Interest on Short Term Loan | 7,820,582 | - |
| | **8,528,095** | **91,169** |

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**Notes to financial statements**

## 18 Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| **Total operations for the year** | | |
| a) Weighted average number of equity shares in calculating basic EPS | 50,000,000 | 49,431,781 |
| b) Net loss after tax available for equity shareholders | (31,988,756) | (71,344,827) |
| c) Basic and diluted Earnings per Share | (0.64) | (1.44) |
| d) Face value per share | 10 | 10 |

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## 19 Gratuity and other post-employment benefit plans

### I Gratuity

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 is funded with an insurance company in the form of qualifying insurance policy.

The company has not acturially determined the liability towards gratuity at the year end owing to the fact that the number of employees at the year end were only 3 and hence the applicability of AS - 15 for determining the defined benefit obligation using actuary does not arise.

The following table summarizes the components of net benefit expenses recognized in profit and loss account and amounts recognized in balance sheet.

**Statement of Profit and Loss Account**

a) Net Employee benefit expense

| Particulars | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| 1. Current Service Cost | - | 1,852,372 |
| 2. Interest Cost on benefit obligation | - | 35,802 |
| 3. Expected return on plan assets | - | (51,063) |
| 4. Actuarial gain/loss on obligation | - | 296,342 |
| 5. Net benefit expense | 63,638 | 2,133,453 |

**Balance Sheet**

b) Details of Provisions:

| Particulars | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| 1. Present Value of defined benefit obligation | - | 2,652,000 |
| 2. Fair value of plan assets | - | (1,337,357) |
| 3. Surplus/(deficit) of funds | - | (1,314,643) |
| 4. Net Asset/(liability) recognized in Balance Sheet | 198,278 | (1,314,643) |

c) Changes in Present value of the defined benefit obligation are as follows:

| Particulars | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Defined benefit obligation at the beginning of the Period | 2,652,000 | 442,000 |
| Current Service cost | - | 1,852,372 |
| Interest Cost | - | 35,802 |
| Actuarial gain/loss | - | 321,826 |
| Benefits paid/reversed | 2,453,722 | - |
| Defined benefit obligation at the end of period | 198,278 | 2,652,000 |

The principal assumptions used in determining obligations are as follows:

| Particulars | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Discount Rate | - | 8.1% |
| Expected Rate of return on plan assets | - | - |
| Expected rate of salary increase* | - | 8% |
| Mortality | - | LIC (1994-96) |
| Withdrawal rate | - | 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, 2014** ₹ | **March 31, 2013** ₹ | **March 31, 2012** ₹ | **March 31, 2011** ₹ |
|---|---|---|---|---|
| Defined Benefit obligation | - | 2,652,000 | 4,42,000 | 74,000 |
| Plan Assets | - | 1,337,357 | - | - |
| Surplus/(deficit) | - | (13,14,643) | (4,42,000) | (74,000) |
| Experience adjustments on plan liabilities (Gain)/Loss | - | - | - | - |
| Experience adjustments on plan assets (Gain)/Loss | - | - | - | - |

**II Defined Benefit Contribution**

| **Particulars** | **31 March 2014** ₹ | **31 March 2013** ₹ |
|---|---|---|
| Employer’s contribution to Provident Fund including Family Pension Fund | 595,517 | 2,763,092 |

**20 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 July 1, 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.

With respect to all operating leases, lease payments of ₹ 3,606,756 ( March 31, 2013: ₹ 11,233,298 ) have been recognised as an expense in the Statement of Profit and Loss.

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## 21 Related party disclosures

**Names of related parties**

| | |
|---|---|
| Holding Company | Bharat Forge Limited |
| Associate Company | ALSTOM Bharat Forge Power Limited<br>ALSTOM Switzerland Ltd<br>ALSTOM Power Holdings SA<br>ALSTOM Technology Ltd<br>BF Infrastructure Limited |
| Key Management Personnel (KMP) | Mr Vijay Kumar Jain,<br>CEO and Managing Director (from October 1, 2011 ) |

Transaction with Related Parties during the year are as under:

| Particulars | Holding Company | | Associate Company | | Key Mangement Personnel | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| **Issue of Equity Share Capital** | | | | | | | | |
| Bharat Forge Limited | - | 66,108,750 | - | - | - | - | - | 66,108,750 |
| ALSTOM Power Holdings SA | - | - | - | 63,516,250 | - | - | - | 63,516,250 |
| **Technical Services availed** | | | | | | | | |
| ALSTOM Switzerland Ltd | - | - | 4,541,562 | 6,637,002 | - | - | 4,541,562 | 6,637,002 |
| **Sale of materials towards capital** | | | | | | | | |
| ALSTOM Bharat Forge Power Limited | - | - | 205,518,773 | - | - | - | 205,518,773 | - |
| **Capital advances transferred** | | | | | | | | |
| ALSTOM Bharat Forge Power Limited | - | - | 74,485,330 | - | - | - | 74,485,330 | - |
| **Short term financial arrangement received** | | | | | | | | |
| ALSTOM Bharat Forge Power Limited | - | - | 654,104,191 | - | - | - | 654,104,191 | - |
| **Fund reimbursed/includes expenses** | | | | | | | | |
| Bharat Forge Limited | - | 2,503,178 | - | - | - | - | - | 2,503,178 |
| ALSTOM Bharat Forge Power Limited | - | - | 541,411 | 118,930,160 | - | - | 541,411 | 118,930,160 |
| | | | - | | | | | |
| **Managerial Remuneration** | | | | | | | - | - |
| Mr. Vijay Kumar Jain | - | - | - | - | 2,754,000 | 2,754,000 | 2,754,000 | 2,754,000 |
| **Payments made during the year** | | | | | | | | |
| Bharat Forge Limited | 381,000 | - | - | - | - | - | 381,000 | - |
| ALSTOM Bharat Forge Power Limited | - | - | 712,794 | - | - | - | 712,794 | - |
| BF Infrastructre Limited | - | - | 3,432,576 | | | | 3,432,576 | - |
| Alstom Switzerland | - | - | 4,541,562 | - | - | - | 4,541,562 | - |
| **Payments received during the year** | | | | | | | | |
| ALSTOM Bharat Forge Power Limited | - | - | 328,226,927 | - | - | - | 328,226,927 | - |
| **Balances outstanding at year end** | | | | | | | | |
| Payable to : | | | | | | | | |
| Bharat Forge Limited | - | 381,000 | - | - | - | - | - | 381,000 |
| ALSTOM Bharat Forge Power Limited | - | - | 821,085,792 | 118,930,160 | - | - | 821,085,792 | 118,930,160 |
| BF Infrastructre Limited | - | - | - | - | | | - | - |
| Alstom Switzerland | - | - | - | - | - | - | - | - |

**22 Capital and other commitments**

Estimated amount of contracts to be executed on capital account and not provided for (net of advances) is ₹ 282,521,351 (March 31, 2013 ₹ 1,704,600,000) as at March 31, 2014.

**23** The Company does not have trade payable as on March 31, 2014, hence disclosure with respect to Micro, Small and Medium Enterprises Development Act is not applicable.

**24 Expenditure in foreign currency (accrual basis)**

| | Year ended March 31, 2014 ₹ | Year ended March 31, 2013 ₹ |
|---|---|---|
| Travelling and conveyance | 278,345 | 2,078,551 |
| Engineering support | 4,541,562 | 5,905,491 |
| Purchase of capital goods | - | 4,896,290 |
| | **4,819,907** | **12,880,332** |

**25** On December 28, 2011 a Public Interest Litigation (PIL) in the form of a Writ Petition was filed in the High Court of Gujarat at Ahmadabad, against 12 parties including Kalyani Alstom Power Limited (KAPL) regarding environmental clearances for Adani Port and Special Economic Zone Limited (APSEZ, previously known as Mundra Port and Special Economic Zone Limited.
The matter was heard on April 12, 2012 and on May 9, 2012 the Division Bench of the Hon'ble High Court of Gujarat pronounced the following judgment with respect to the issues under consideration:

1. The first issue related as to whether the company need individual environmental clearance under the Environment Impact Assessment (EIA) Notification considering their proposed activities. The Hon'ble High Court of Gujarat has answered this issue in favour of KAPL confirming that the individual units do not require individual environmental clearance under the respective EIA Notification from Ministry of Environment and Forest (MoEF).

2. The second issue related as to whether in the absence of Adani Port and Special Economic Zone Limited (APSEZ) having environmental clearance the individual unit (ABFPL) falling under the APSEZ can continue with the construction activities. The Hon'ble High Court of Gujarat has answered this question in the negative and has directed the 12 parties (including the company) to immediately stop any/all construction activities on the land allotted to them until APSEZ obtains requisite environmental clearance. In compliance of the directions of the Hon’ble High Court of Gujarat, KAPL have stopped the work on their site at APSEZ.

Further the Hon’ble High Court of Gujarat passed another judgment recently on January 13, 2014 in relation to Writ Petition No. 21 of 2013 (petition against 12 parties operating in Mundra SEZ whereby the petitioners had sought directions from the court to immediately stop those 12 parties from any further development and business operations) and Special Civil Application No. 2621 of 2013 (Deemed EC application filed by KAPL) and ordered the said 12 parties to stop the operation of activities immediately, and ordered that these units cannot undertake any further development or business activity till the decision is taken by the Central Government and also rejected KAPL’s application with a direction to the Central Government to take its decision, with respect to the issue of grant of environmental clearance, within 30 days from the date of judgment without fail. The Hon’ble High Court of Gujarat has also stated that while taking into consideration the issue of grant of environmental clearance, it would be open to the Central Government to even take into consideration the Sunita Narain Committee report. The Central Government has asked for extention of time.

Pursuant to the aforesaid orders certain parties filed appeal in the Supreme Court against this judgment of Gujarat High Court and Hon’ble Supreme Court issued notice and directed that in the meantime, units in SEZ in respect of which impugned order has been passed may continue to function but there will be no further construction with regard to any units which are existing or incumbent. Respondents have been directed to file affidavits in respect of existing units. The Hon’ble Supreme Court further made it clear that the direction to MoEF to complete the process of environment clearance has not been stayed. The MoEF has sought time to file its reply on the same. It was further recorded that it is the case of the petitioners that no further clearance is required.

3. In addtion to the above, local villagers have filed PIL (WP PIL 204 of 2012) in the Gujarat High Court alleging that the Company has blocked a natural waterway. The matter is pending before the Court.

On October 25, 2011, the Company had already received confirmation from the Ministry of Environment & Forests that its activities in Mundra do not attract the provisions of EIA Notification of 2006. Presently, the Company does not expect any material impact of this disruption in meeting its business committments.

**26** The Board of Directors in its meeting held on August 28, 2013 considered and granted its in principle approval for the proposal of Amalgamation of the Company with ALSTOM Bharat Forge Power Limited (ABFPL) and subsequently approved the scheme in its meeting held on October 22, 2013, pursuant and in lines of the recommendations and valuation report of M/s Pravin P. Shah, Chartered Accountants and to consolidate the business operations, leading to synergies of operations, economies of scale, reducing and aligning costs and to increase the net worth of the merged entity.

On November 20, 2013, the Company had filed a joint application with ABFPL to the Competition Commission of India (CCI) for proposed combination under the provisions of Competition Act, 2002 and accordingly the CCI has approved the same vide its order dated 10th December, 2013.

Further, a Scheme of Amalgamation has been filed amongst the Company and ALSTOM Bharat Forge Power Limited and their respective Shareholders and Creditors to the Hon’ble High Court of Delhi on February 10, 2014. The Hon’ble High Court of Delhi on February 14, 2014 directed the dispensation for convening the meeting of Shareholders and Unsecured creditors and ordered the secured creditors meeting to be held on March 29, 2014 for this purpose.
Further in the meeting held on 29th March, 2014, the secured creditors gave their respective consent(s) approving the scheme of Amalgamation between both the Companies.

**27 Income Tax**
The company does not have any taxable income for the period ended March 31, 2014 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 sufficient future taxable income will be available against which the deferred tax asset can be realised.

**28 Previous year figures**
Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

**For S.N.Dhawan & Co.**
**Chartered Accountants**
**Firm Reg. Number: 000050N**

**Vijay Dhawan**
**Partner**
**Membership No: 12565**

**Place: Noida**
**Date: 1st May, 2014**

**For and on behalf of the Board of Directors**

**Vijay Kumar Jain**
**CEO & Managing Director**

**Patrick Ledermann**
**Director**

**Arvind Datta**
**Chief Finance Officer**

**Harry Arora**
**Company Secretary**

## BF Elbit Advanced Systems Private Limited

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. B. N. Kalyani | Pune Cantonment, | P.V.Deo |
| Mr. A. B. Kalyani | Mundhwa, | Chartered Accountant |
| Mr. Rajinder Singh Bhatia | Pune - 411 036. | Laxminarayannagar No.4 Co-op. Hsg. So. |
| | | Erandawana |
| | | Pune 411 004. |

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Second Annual Report together with audited Statement of Accounts for the year ended on March 31, 2014 on the business and operations of the Company.

**1. Financial Highlights:**

The Company has not yet started commercial activities. All the expenses incurred during the year under review were for supporting trials of Towed Gun Systems (TGS) in India with Bharat Forge Limited. The total expenditure during the period was Rs.4.30 crores /-. The excess of expenditure over income amounting to Rs.4.30 crores/- is therefore written off to Profit & Loss account.

| **Particulars** | **April 1, 2013 to March 31, 2014 Amount (Rs.)** |
|---|---|
| Total Expenditure | 4.30 crores |
| Profit/ (Loss) before Tax | (4.30 crores) |
| Profit /(Loss) after Tax | (4.30 crores) |

**2. Background & Review of Activities:**

The Company was formed as a Joint Venture between Bharat Forge Limited and Elbit Systems Land and C4I Ltd. The Company has applied for Industrial License for Defence equipment/programme manufacturing and it is awaited. The Company has received an approval from the Ministry of Finance, Department of Economic Affairs, Foreign Investment Promotion for Foreign Collaboration permitting the foreign equity participation in the Company by Elbit Systems Land and C4I Limited vide its letter dated November 1, 2013.

**3. Share Capital:**

The Authorised and Paid up share capital of the Company is Rs. 1,00,000/- (Rupees One Lakh Only) divided into 10,000 equity shares of Rs. 10/- each. The Company at its Extra-ordinary General Meeting held on April 16, 2014, increased its Authorised Capital from Rs.1 lakh to Rs.15 crores.

**4. Dividend:**

Since the Company has not started its commercial activities as it is in initial stage and the Company does not have any distributable profits, your Directors have not recommended any Dividend on Equity shares for the period under review.

5. **Directors :**

In accordance with the provisions of the Companies Act, 2013 Mr. Ravinder Singh Bhatia retires by the rotation and being eligible, offers himself for reappointment.

6. **Fixed Deposits:**

The Company has not accepted any deposits from public during the period under review.

7. **Particulars of Employees:**

During the period under review, there are no employees receiving remuneration in excess of the limits set out under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Accordingly the required statement is not appended.

8. **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The disclosure of information on conservation of energy, technology absorption etc. required to be made in terms of Section 217(1) and (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, being not applicable is not given. During the period under review, there were no earnings or outgo in foreign exchange.

9. **Directors' Responsibility Statement**:

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

(i) in the preparation of the Annual Accounts for the financial period ended March 31, 2014, the applicable Accounting Standards have been followed;
(ii) the Directors have 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, 2014 and of the loss/~~Profit~~ of the Company for the said period;
(iii) 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
(iv) the Directors had prepared the annual accounts for financial year ended on March 31, 2014 on a 'going concern' basis.

10. **Auditors and Auditors' Report:**

M/s. Prashant V. Deo, Chartered Accountants, Pune (Membership No. 041609), Statutory 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. Prashant V. Deo, Chartered Accountants, Pune, to the effect that their re-appointment, if made, would be within the prescribed limits under the Companies Act, 2013 and the conditions prescribed read with the Rule 4 of Companies (Audit and Auditors) Rules, 2014 and that they are not disqualified for appointment.

The observations and comments given by the Auditors in their 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.

**11. Acknowledgement:**

Your Directors would like to express their sincere appreciation and deep gratitude for the positive co-operation received from its valued shareholders. Further, your Company wish to thank Bharat Forge Limited (Holding Company) for its ongoing valuable support for building & developing the business of the Company.

For and on behalf of the
Board of Directors

SD/-
Rajinder Singh Bhatia
Chairman

Pune: May 17, 2014

## Independent Auditor's Report

**To the Members of BF Elbit Advanced Systems Private Limited**

**Report on the Financial Statements**

I have audited the accompanying financial statements of **BF Elbit Advanced Systems Private Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that I 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 Company's preparation and fair presentation of the financial statements 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 the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion and to the best of my information and according to the explanations given to me, the financial statements give the information required by the Act, in the manner so required and 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 31st March, 2014;

(ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of subsection (4A) of section 227 of the Act, I give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, I report that:

    a. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit;

    b. in my opinion, proper books of account as required by law have been kept by the Company, so far as appears from my examination of those books;

    c. 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;

    d. in my opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and

    e. on the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**P. V. Deo**
**Chartered Accountant**
**Membership No. 41609**

**Place : Pune**
**Date : 17 May, 2014**

**ANNEXURE REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF BF ELBIT ADVANCED SYSTEMS PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH, 2014.**

On the basis of such checks as were considered appropriate and in accordance with the information and explanations given to me, I report as under:

(i)

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.

(c) The Company has not disposed of any fixed assets during the year.

(ii)

(a) The inventory comprising stock of consumables was physically verified during the year by the management. In my opinion, the frequency of verification was reasonable.

(b) In my opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate having regard to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of the stocks above-referred. As explained to me, no discrepancies were noticed by the management on physical verification of stocks. The Company did not carry any inventory at the end of the year.

(iii) In my opinion and according to the information and explanations given to me, there is an adequate internal control system commensurate with the size of the Company and the nature of its business purchases of inventories and fixed assets. During the year covered by this report, the Company was engaged exclusively in the setting up of its new project. During the course of audit no major weakness has been noticed in the internal control system.

(iv) The Company has not carried out any transactions in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956.

(v) The Company has not accepted deposits from the public within the meaning of Sections 58A or 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed, thereunder.

(vi) Requirement to maintain cost records under Section 209 (1) (d) of the Companies Act, 1956 does not apply to the Company.

(vii)

(a) According to the records of the Company, the Company was found to be regular in depositing with appropriate authorities, undisputed statutory dues including Income Tax, other taxes, cess and statutory dues applicable to it. As explained to me by the Management, the provisions of the Employees' State Insurance Act, 1948 and the Employees' Provident Fund and Miscellaneous Provisions Act 1952 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, cess were outstanding as at 31st March, 2014 for a period of more than six months from the date those became payable.

(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, cess which have not been deposited on account of any dispute.

(viii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

(ix) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(x) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no long term funds have been used to finance short term assets. Similarly, no funds raised on short term basis have been used for long term investments.

(xi) The Company has not made any preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.

(xii) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.

(xiii) Provisions of sub-clause No.s (iii), (vii), (x), (xi), (xiii), (xiv), (xvi), (xix) and (xx) of Clause 4 of the said Order do not apply to the Company.

**P. V. Deo**
**Chartered Accountant**
**Membership No. 41609**

**Place : Pune**
**Date : 17 May, 2014**

**BF Elbit Advanced Systems Private Limited**

**Balance sheet as at March 31, 2014**

| | Notes | As at March 31, 2014 Rs. | As at March 31, 2013 Rs. |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| a) Share capital | 3 | **100,000** | 100,000 |
| b) Reserves and surplus | 4 | **(43,182,651)** | (171,364) |
| | | **(43,082,651)** | (71,364) |
| **2. Current liabilities** | | | |
| Other current liabilities | 5 | **43,857,257** | 31,880,894 |
| | | **43,857,257** | 31,880,894 |
| **TOTAL :** | | **774,606** | 31,809,530 |
| **II. ASSETS** | | | |
| **1. Non-current assets** | | | |
| a) Fixed Assets | | | |
| Tangible Assets | 6 | **149,606** | - |
| b) Long-term loans and advances | 7 | **525,000** | 525,000 |
| | | **674,606** | 525,000 |
| **2. Current assets** | | | |
| a) Cash and cash equivalents | 8 | **100,000** | 100,000 |
| b) Short-term loans and advances | 9 | **-** | 31,184,530 |
| | | **100,000** | 31,284,530 |
| **TOTAL :** | | **774,606** | 31,809,530 |
| **Significant Accounting Policies and Notes forming part of the Accounts** | 1 to 13 | | |

**The notes above referred form an integral part of the Balance Sheet**

| As per my attached report of the even date, | On behalf of the Board of Directors, | |
|---|---|---|
| **P. V. Deo** | | |
| **Chartered Accountant** | **B. N. Kalyani** | **Rajinder Singh Bhatia** |
| **Place: Pune** | **Place: Pune** | |
| **Date: 17 May, 2014** | **Date: 17 May, 2014** | |

**BF Elbit Advanced Systems Private Limited**

**Statement of Profit and Loss for the year ended March 31, 2014**

| | Notes | For the year ended March 31, 2014. Rs. | For the period ended March 31, 2013. Rs. |
|---|---|---|---|
| **I. Total revenue** | | **-** | - |
| **II. Expenses** | | | |
| a) Depreciation and amortization expenses | 6 | **7,344** | - |
| b) Other expenses | 10 | **43,003,943** | 171,364 |
| **II. Total expenses** | | **43,011,287** | 171,364 |
| **III. Loss before tax** | | **(43,011,287)** | (171,364) |
| **IV. Tax expenses** | | **-** | - |
| **V. Loss for the year** | | **(43,011,287)** | (171,364) |
| **VI. Earnings per equity share [nominal value of share Rs.10/-]** | | | |
| a) Basic (In Rs.) | 12 | **(4,301.13)** | (17.14) |
| b) Diluted (In Rs.) | 12 | **(4,301.13)** | (17.14) |
| **Significant Accounting Policies and Notes forming part of the Accounts** | 1 to 13 | | |
| **The notes above referred form an integral part of the Statement of Profit and Loss** | | | |

**As per my attached report of the even date,**

**On behalf of the Board of Directors,**

**P. V. Deo**
**Chartered Accountant**
**Place: Pune**
**Date: 17 May, 2014**

**B. N. Kalyani** **Rajinder Singh Bhatia**
**Place: Pune**
**Date: 17 May, 2014**

**BF Elbit Advanced Systems Private Limited**

**Cash Flow Statement for the year ended March 31, 2014**

| | | Year ended March 31, 2014. Rs. | Period ended March 31, 2013. Rs. |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Loss before tax** | | **(43,011,287)** | (171,364) |
| Depreciation and amortization | | **7,344** | - |
| **Operating loss before working capital changes** | | **(43,003,943)** | (171,364) |
| **Movements in working capital :** | | | |
| (Increase) / decrease in long-term loans and advances | | **-** | (525,000) |
| (Increase) / decrease in short-term loans and advances | | **31,184,530** | (31,184,530) |
| Increase / (decrease) in liabilities | | **11,976,363** | 31,880,894 |
| | | **43,160,893** | 171,364 |
| **Cash generated from operations** | | **156,950** | - |
| Direct taxes paid (net of refunds) | | **-** | - |
| **Net cash flows from operating activities** | **(A)** | **156,950** | - |
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets | | **(156,950)** | - |
| **Net cash flows (used in) investing activities** | **(B)** | **(156,950)** | - |
| **Cash flows from financing activities** | | | |
| Proceeds from Equity investment by promoters | | **-** | 100,000 |
| **Net cash flows from financing activities** | **(C)** | **-** | 100,000 |
| **Net increase in cash and cash equivalents (A+B+C)** | | **-** | 100,000 |
| **Cash and cash equivalents at the beginning of the year** | | **100,000** | - |
| **Cash and cash equivalents at the end of the year** | | **100,000** | 100,000 |

| **Components of cash and cash equivalents as at** | | **March 31, 2014 Rs.** | March 31, 2013 Rs. |
|---|---|---|---|
| Balance in current account | | **100,000** | - |
| Cheques on hand | | **-** | 100,000 |
| | **TOTAL :** | **100,000** | 100,000 |

**Significant Accounting Policies and Notes forming part of the Accounts** 1 to 13

**The notes above referred form an integral part of the Cash Flow Statement**

**As per my attached report of even date,**

**P. V. Deo**
**Chartered Accountant**
**Place: Pune**
**Date: 17 May, 2014**

**On behalf of the Board of Directors,**

**B. N. Kalyani** **Rajinder Singh Bhatia**
**Place: Pune**
**Date: 17 May, 2014**

**BF Elbit Advanced Systems Private Limited**

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

## 1. Corporate information:

BF Elbit Advanced Systems Private Limited is a private limited company incorporated under the Companies Act, 1956. The Company was incorporated on August 2, 2012. The Company is a wholly owned subsidiary of Bharat Forge Limited.

The Company has been formed with the object of engaging in the business of weapon system with primary focus on artillary and mortar systems of all calibers. During the financial year covered by these statements, the Company was engaged exclusively in carrying out trial runs of its products.

## 2. Significant accounting policies:

### 2.1 Basis of accounting and preparation of financial statements:

These accounts have been prepared under historical cost convention and comply with the Accounting Standards, as prescribed by the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 (to the extent applicable) and the provisions of the Companies Act, 2013 (to the extent applicable). All income and expenses having a material bearing on the financial statements are recognized on the accrual basis.

### 2.2 Use of estimates:

The preparation of financial statements 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. 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. Any revisions to accounting estimates are recognised prospectively in current and future periods.

### 2.3 Fixed Assets and Depreciation :

**a) Fixed Assets :**
Fixed Assets are stated at their original cost of acquisition or construction, including incidental expenses related to acquisition, construction and installation of the concerned assets. Fixed Assets are shown net of accumulated depreciation.

**b) Depreciation :**
Depreciation on fixed assets is provided for under the straight line method, at the rates prescribed under Sechdule XIV to the Companies Act, 1956. Depreciation is charged on pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year those are put to use.

### 2.4 Preliminary Expenses

Preliminary expenses are written off, in the year in which those are incurred.

### 2.5 Share Issues Expenses

Expenses on issue of shares are written off, in the year in which those are incurred.

### 2.6 Taxation:

a) Provision for income tax is made on the basis of taxable income for the current accounting year, in accordance with the provisions of the Income Tax Act, 1961.

b) Deferred Tax resulting from timing differences 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 Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realized.

**2.7 Impairment:**

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. 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-tax discount rate that reflects the current market assessments of time value of money and the risk specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

**2.8 Earnings per share:**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**2.9 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.

**2.10 Cash flow statement :**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**2.11 Provisions, Contingent Liabilities and Contingent Assets:**

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. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**BF Elbit Advanced Systems Private Limited**

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

**3. Share capital**

| | **As at March 31, 2014. Rs.** | As at March 31, 2013. Rs. |
|---|---|---|
| **Authorised shares (No.)** | | |
| **10,000** (10,000) equity shares of Rs. 10/- each | **100,000** | 100,000 |
| **Issued (No.)** | | |
| **10,000** (10,000) equity shares of Rs. 10/- each | **100,000** | 100,000 |
| **Subscribed and fully paid-up (No.)** | | |
| **10,000** (10,000) equity shares of Rs. 10/- each | **100,000** | 100,000 |
| **Total issued, subscribed and fully paid-up share capital :** | **100,000** | 100,000 |

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year**

| **Equity shares** | **As at March 31, 2014** | | As at March 31, 2013 | |
|---|---|---|---|---|
| | **Nos.** | **Rs.** | Nos. | Rs. |
| At the beginning of the year | **10,000** | **100,000** | - | - |
| Shares Issued during the year | **-** | - | 10,000 | 100,000 |
| Shares bought back during the year | **-** | - | - | - |
| Outstanding at the end of the year | **10,000** | **100,000** | 10,000 | 100,000 |

**(b) Terms/rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/-. Each holder of equity shares is entitled to one vote per share.

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 amount. 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 equity shares issued by the company, shares held by its holding company are as below

| | **As at March 31, 2014. Rs.** | As at March 31, 2013. Rs. |
|---|---|---|
| **Bharat Forge Limited, the Holding Company** | | |
| **10,000** (10,000) equity shares of Rs. 10/- each fully paid | **100,000** | 100,000 |

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

**(d) Details of shareholders holding more than 5% shares in the Company**

| Name of Shareholder | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Nos. | % of Holding | Nos. | % of Holding |
| **Equity shares of Rs. 10 each fully paid** | | | | |
| Bharat Forge Limited, including its nominee | **10,000** | **100** | 10,000 | 100 |

**4. Reserves and surplus**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| **Deficit in the statement of Profit and Loss** | | |
| As per last account | **(171,364)** | - |
| Add : Loss for the year transferred from the Statement of Profit and Loss | **(43,011,287)** | (171,364) |
| Subtotal : | **(43,182,651)** | (171,364) |
| Less : Appropriations | **-** | - |
| Closing balance | **(43,182,651)** | (171,364) |

**5. Other current liabilities**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| Accrued expenses | **39,326** | 56,760 |
| Reimbursement payable to Bharat Forge Limited | **43,814,362** | 31,824,134 |
| Other liabilities | **3,569** | - |
| **TOTAL :** | **43,857,257** | 31,880,894 |

**BF Elbit Advanced Systems Private Limited**

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

6. **Fixed Assets :**

| | **Tangible Assets** | | |
|---|---|---|---|
| | **Office Equipments** Rs. | **As at 31st March, 2014.** Rs. | As at 31st March, 2013 Rs. |
| **Gross Block, at cost :** | | | |
| As at 31st March , 2013. | - | - | - |
| Additions | 156,950 | 156,950 | - |
| **As at 31st March, 2014.** | **156,950** | **156,950** | - |
| **Depreciation :** | | | |
| As at 31st March , 2013. | - | - | - |
| For the year | 7,344 | 7,344 | - |
| **As at 31st March, 2014.** | **7,344** | **7,344** | - |
| **Net Block :** | | | |
| As at 31st March, 2013. | - | - | - |
| **As at 31st March, 2014.** | **149,606** | **149,606** | |

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**BF Elbit Advanced Systems Private Limited**

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

**7. Long-term loans and advances**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| Security deposits | **525,000** | 525,000 |
| **TOTAL :** | **525,000** | 525,000 |

**8. Cash and cash equivalents**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| Balances with banks | | |
| In Current accounts | **100,000** | - |
| Cheques on hand | **-** | 100,000 |
| **TOTAL :** | **100,000** | 100,000 |

**9. Short-Term Loans and Advances**
**(Unsecured, Good)**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| Advances to suppliers | **-** | 30,584,530 |
| Other advances recoverable in cash or in kind or for value to be received | **-** | 600,000 |
| **TOTAL :** | **-** | 31,184,530 |

**10. Other expenses**

| | Year ended March 31, 2014. Rs. | Period ended March 31, 2013. Rs. |
|---|---|---|
| Consumables | **30,954,293** | - |
| Business promotion expenses | **6,404,189** | - |
| Legal and professional fees | **590,973** | 3,500 |
| Communication | **47,131** | - |
| Transportation | **1,639,378** | - |
| Equipment hire charges | **470,205** | |
| Payment to Auditors (Refer details below) | **39,326** | 20,000 |
| Preliminary Expenses | **-** | 32,500 |
| Travelling, conveyance and vehicle expenses | **2,318,971** | 70,941 |
| Miscellaneous expenses | **539,477** | 44,423 |
| **TOTAL :** | **43,003,943** | 171,364 |

Payment to auditors

| | Year ended March 31, 2014 Rs. | Period ended March 31, 2013 Rs. |
|---|---|---|
| As auditor: | | |
| - Audit fee | **39,326** | 20,000 |
| | **39,326** | 20,000 |

**BF Elbit Advanced Systems Private Limited**

**Notes forming part of the Financial Statements for the year ended March 31, 2014.**

**11. Related Party disclosures**

**(i) Names of the related parties and related party relationship**

| | |
|---|---|
| Holding Company | Bharat Forge Limited |

**(ii) Related parties with whom transactions have taken place during the year**

| Sr. No. | Nature of transaction | Name of the related party and nature of relationship | Year ended March 31, 2014. Rs. | Period ended March 31, 2013. Rs. |
|---|---|---|---|---|
| 1 | **Reimbursement of expenses paid:** | **Holding Company** | | |
| | | Bharat Forge Limited | **11,990,228** | 31,824,134 |
| | **TOTAL :** | | **11,990,228** | 31,824,134 |

**(iii) Balance outstanding**

| Sr. No. | Nature of transaction | Name of the related party and nature of relationship | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|---|---|
| 1 | **Reimbursement payable:** | **Holding Company** | | |
| | | Bharat Forge Limited | **43,814,362** | 31,824,134 |
| | **TOTAL :** | | **43,814,362** | 31,824,134 |

**12. Earnings per share (EPS)**

| | As at March 31, 2014. Rs. | As at March 31, 2013. Rs. |
|---|---|---|
| **Numerator for basic and diluted EPS** | | |
| Loss for the year attributable to Shareholders as at March 31 | **(43,011,287)** | (171,364) |
| **Weighted average number of equity shares in calculating basic EPS** | **10,000** | 10,000 |
| **EPS - Basic (in Rs.)** | **(4,301.13)** | (17.14) |
| **Weighted average number of equity shares in calculating diluted EPS** | **10,000** | 10,000 |
| **EPS - Diluted - ( in Rs.)** | **(4,301.13)** | (17.14) |

**13** Previous year's figures have been regrouped and rearranged wherever necessary, so as to make those comparable with the current year.

**As per my attached report of the even date,**

**P. V. Deo**
**Chartered Accountant**
**Place: Pune**
**Date: 17 May, 2014**

**On behalf of the Board of Directors,**

**B. N. Kalyani** **Rajinder Singh Bhatia**
**Place: Pune**
**Date: 17 May, 2014**

## Analogic Controls India Ltd.

| ***Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Mr. T. V. Prasad<br>Mr. K. Padmanabham<br>Mr. Rajinder Singh Bhatia<br>(w.e.f. June 18, 2013)<br>Mr. Kishore Mukund Saletore<br>(w.e.f. June 18, 2013)<br>Mr. Vikram Manohar Munje<br>(w.e.f. April 29, 2014) | Survey No. 23/2,<br>Gundlapochampally Post,<br>Medchal Mandal,<br>Ranga Reddy District,<br>Hyderabad-500014 | P. V. Deo<br>Chartered Accountant<br>Laxminarayannagar No.4 Co-op. Hsg. So.<br>Erandawana<br>Pune- 411 004. |

# Directors' Report

Dear Members,

The Directors of your company present the Annual Report together with Audited Accounts for the Financial Year ended on 31st March, 2014.

## I. Financial Highlights :

(Rs. in lacs)

| | 2013-2014 | 2012-2013 |
|---|---|---|
| Profit before Dep, Int, & Tax | 168.53 | -581.89 |
| Less : | | |
| a) Depreciation | 25.70 | 29.05 |
| b) Interest | 179.34 | 207.47 |
| Profit before Tax | -36.51 | -818.41 |
| Less: | | |
| c) Provision for Taxation | 202.72 | -202.28 |
| Profit after Tax | -239.23 | -616.13 |
| Less : Balance brought forward from P/Y | -462.40 | 153.73 |
| : Appropriations | -3.96 | 0.00 |
| Balance carried forward to next year | -705.59 | -462.40 |

**II. Business Operations and Future Prospects :**

During the year, the company achieved a turnover of Rs. 1068.56 lacs as against Rs. 210.96 lacs during the previous year, your directors of the company are happy to inform that the turnover is significantly increased to an extent of 500%.

Under the existing corporate plan, your management is hopeful of a bright future in the coming years. The company is capable of executing the orders on hand to the tune of Rs.1902 lacs. We are confident of achieving as approximate turnover of Rs.2200 lacs during the year 2014-15.

**III. Dividend :**

Since the Company is in to losses the concept of Dividend does not arise.

**IV. Safety Health & Environment :**

Your company is adopting all measures to comply with the statutory stipulation(s) for environment, safety and health.

**V. Risk Management :**

As a part of ongoing risk management practice, the company has identified insurable potential risks. All assets of the company and other potential risks have been adequately insured.

**VI. Directors :**

In accordance with the provisions of the Companies Act, 2013 Mr. K Padmanabham retires by the rotation and being eligible, offers himself for reappointment.

During the year, Mr. Rajinder Singh Bhatia and Mr. Kishore Mukund Saletore are appointed as Additional Directors with effect from 18th June 2013 and Mr. Vikram Manohar Munje is appointed as Additional Director with effect from 29th April 2014.

During the year Mr. K Padmanabham is re-appointed as Managing Director of the Company in the Extra Ordinary General Meeting held on 27th March 2014 for a period of one year with effect from 01st April, 2014 (i.e. 01st April, 2014 to 31st March, 2015).

During the year Mr. T V Prasad is re-appointed as Whole Time Director of the Company in the Extra Ordinary General Meeting held on 27th March 2014 for a period of one year with effect from 01st April, 2014 (i.e. 01st April, 2014 to 31st March, 2015).

**VII. Appointment of Auditors:**

The Auditors of Company, Mr. Prashant V. Deo, Chartered Accountant retire at this Annual General Meeting and being eligible, offer himself for reappointment. The members are requested to consider appointing him as Company's Auditors from the conclusion of this Annual General Meeting to the conclusion of the Sixth consecutive Annual General Meeting.

**VIII. Issue of 0% Unsecured Compulsorily Convertible Debentures (ZCCD):**

During the year the Company has initially issued **5,74,480 0% Unsecured Compulsorily Convertible Debentures (ZCCD) of Rs. 100/- each** aggregating Rs. 5,74,48,000/- of the Company at par to **M/s. Bharat Forge Limited, Pune** on preferential basis in the Extra Ordinary General Meeting held on 06th September 2013.

During the year the Company has later on issued **2,91,987 0% Unsecured Redeemable Compulsory Convertible Debentures (ZCCD) of Rs. 100/- each** aggregating Rs. 2,91,98,700/- of the Company at par to **M/s. Bharat Forge Limited, Pune** on preferential basis in the Extra Ordinary General Meeting held on 27th January 2014.

## IX. Compliance Certificate :

Pursuant to Section 383A of the Companies Act 1956, copy of Secretarial Compliance Certificate issued by S VASA & ASSOCIATES, company secretaries for the year ended on 31st March 2014 is attached as annexure to the Directors Report.

## X. Conservation of energy, Technology absorption and foreign exchange earnings/out goings :

### Conservation of Energy, Technology Absorption:

The Company has always been conscious about the need for conservation of energy and during the year the company has made all efforts for reduction of energy consumption by putting systems in place.

The Company has continued its endeavor to absorb the best of technologies for its product ranges. Continuous efforts are being made in improving the quality of the products produced by the company on existing production methods.

**Foreign exchange earnings and outgo:**

| | Currency | 2013-14 | 2012-13 |
|---|---|---|---|
| **Earnings** | | Nil | Nil |
| **Outgo** | USD | 1,86,694 | 43,801.23 |
| | Rs. | 1,14,85,602 | 23,94,383 |
| | EURO | 89,498 | 85,392 |
| | Rs. | 72,51,742 | 61,07,932 |
| | GBP | 4416 | 623.92 |
| | Rs. | 4,42,359 | 51,480 |

## XI. Directors' Responsibility Statement:

Pursuant to the section 217(2AA) of the Companies Act, 1956 it is hereby confirmed.

a. That in the preparation of the annual accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b. That the Directors have 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, 2014 and of the profit or loss of the company for the year under review.

c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d. That the Directors have prepared the annual accounts for the financial year ended on 31st March, 2014 on a "going concern" basis.

**XII. Fixed Deposits:**

During the year under review, the company has neither invited nor accepted any deposits from the public.

**XIII. Particulars of Employees:**

There are no employees whose particulars are to be disclosed under sec. 217 (2A) of the Companies Act, 1956.

**XIV. Acknowledgement :**

The Directors sincerely thanks all the members, clients, bankers and the employees for extending valuable support and co-operation all through the year.

On behalf of the Board

| | |
|---|---|
| K.Padmanabham | T.V.Prasad |
| Managing Director | Director |

Place : Pune

Date : April 29, 2014

## Independent Auditor's Report

**To the Members of Analogic Controls India Limited**

**Report on the Financial Statements**

I have audited the accompanying financial statements of **Analogic Controls India Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular No.s 15/2013 dated 13th September 2013 and 8/2014 dated 4th April, 2014 issued by the Ministry of Corporate Affairs, Government of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that I 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 Company's preparation and fair presentation of the financial statements 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 Companies internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion and to the best of my information and according to the explanations given to me, the financial statements give the information required by the Act, in the manner so required and 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 31st March, 2014;

(ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of subsection (4A) of section 227 of the Act, I give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, I report that:

    a. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit;

    b. in my opinion, proper books of account as required by law have been kept by the Company, so far as appears from my examination of those books;

    c. 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;

    d. in my opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular No.s 15/2013 dated 13$^{th}$ September 2013 and 8/2014 dated 4$^{th}$ April, 2014 issued by the Ministry of Corporate Affairs, Government of India; and

    e. on the basis of written representations received from the directors as on 31$^{st}$ March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31$^{st}$ March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**P. V. Deo**
**Chartered Accountant**
**Membership No. 41609**

**Place : Pune**
**Date : 29$^{th}$ April, 2014**

**ANNEXURE REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ANALOGIC CONTROLS INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2014.**

On the basis of such checks as were considered appropriate and in accordance with the information and explanations given to me, I report as under:

(i)

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.

(c) The Company has not disposed of any fixed assets during the year.

(ii)

(a) The inventory comprising stock of raw materials and work in progress was physically verified during the year by the management. In my opinion, the frequency of verification was reasonable.

(b) In my opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate having regard to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of the stocks above-referred. As explained to me, no discrepancies were noticed by the management on physical verification of stocks.

(iii)

(a) The Company has not granted any loans to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) The Company has taken unsecured loan from four parties covered in the register maintained by the Company under section 301 of the Companies Act, 1956. The amount involved during the financial year was R 8,770,000/-

(c) The aforesaid loans are repayable on demand. Rate of interest, wherever stipulated and the other terms and conditions of the said loan were not found prima facie prejudicial to the interest of the Company.

(d) The Company is regular in repayment of the principal, whenever demanded by the parties.

(iv) In my opinion and according to the information and explanations given to me, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchases of inventories and fixed assets and for sale of goods and services. During the course of my audit I have not observed any continuing failure to correct major weaknesses in internal control system.

(v)

(a) Based on the audit procedures applied by me and according to the information and explanations provided by the Management, I report that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.

(b) In my opinion and according to the information and explanations given to me, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted deposits from the public within the meaning of Sections 58A or 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed, thereunder.

(vii) In my opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) Requirement to maintain cost records under Section 209 (1) (d) of the Companies Act, 1956 does not apply to the Company.

(ix)

(a) According to the records of the Company, the Company was found to be regular, in general, in depositing with appropriate authorities, undisputed statutory dues including Income Tax, other taxes, cess and statutory dues applicable to it. According to the information and explanations given to me, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, cess were outstanding as at 31st March, 2014 for a period of more than six months from the date those became payable.

(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, cess which have not been deposited on account of any dispute. save and except the following:

| Name of the Statute | Nature of the Dues | Amount R | Period | Forum where dispute is pending |
|---|---|---|---|---|
| The Income Tax Act, 1961 | Dues on Regular Assessment for which the Company has filed appeal | 659,399 | Assessment Year 2005-06. | The Commissioner of Income tax (Appeals) – II, Hyderabad. |
| The Central Excise Act,1944/Central Excise Rules,2002 | Central Excise Duty and Penalty | 1,348,264 | January 2008 to March 2009. | The Central Excise and Service Tax Appellate Tribunal, Bengaluru |

(x) *The Company's accumulated losses at the end of the year exceeded fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by this report and also in the preceding financial year.*

(xi) In my opinion and according to the information and explanations given to me, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

(xii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

(xiii) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xiv) In my opinion, the term loans have been applied for the purpose for which those were raised.

(xv) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that funds raised on short term basis have not been used for long term investments.

(xvi) The Company has not made preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.

(xvii) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.

(xviii) Provisions of sub-clause No.s (xiii), (xiv), (xix) and (xx) of Clause 4 of the said Order do not apply to the Company.

**P. V. Deo**
**Chartered Accountant**
**Membership No. 41609**

**Place : Pune**
**Date : 29th April, 2014**

## ANALOGIC CONTROLS INDIA LIMITED

**Balance Sheet as at 31st March, 2014.**

| | | Note No. | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|---|
| **I.** | **EQUITY AND LIABILITIES** | | | |
| 1. | **Shareholders' funds** | | | |
| | (a) Share Capital | 3.1 | **27,586,700** | 11,034,680 |
| | (b) Reserves and Surplus | 3.2 | **(69,424,472)** | (45,105,368) |
| | | | **(41,837,772)** | (34,070,688) |
| 2. | **Share application money pending allotment** | 3.3 | **-** | 7,780,000 |
| 3. | **Non-current liabilities** | | | |
| | (a) Long-term borrowings | 3.4 | **94,195,952** | 11,559,958 |
| | (b) Long-Term Provisions | 3.5 | **1,116,739** | - |
| | | | **95,312,691** | 11,559,958 |
| 4. | **Current liabilities** | | | |
| | (a) Short-term borrowings | 3.6 | **133,347,533** | 124,008,466 |
| | (b) Trade payables | 3.7 | **7,135,058** | 12,993,634 |
| | (c) Other current liabilities | 3.8 | **22,598,611** | 53,191,707 |
| | (d) Short term provisions | 3.9 | **45,099** | 1,498,992 |
| | | | **163,126,301** | 191,692,799 |
| | **TOTAL** | | **216,601,220** | 176,962,069 |
| **II.** | **ASSETS** | | | |
| 1. | **Non-current assets** | | | |
| | (a) Fixed assets | | | |
| | Tangible assets | 3.10 | **45,718,209** | 44,359,023 |
| | Capital Work in progress, expenditure till date | | **455,653** | - |
| | (b) Long-term loans and advances | 3.11 | **2,356,649** | 253,859 |
| | (c) Deferred tax Assets (net) | 3.12 | **-** | 20,095,265 |
| | (d) Other Non-Current Assets | 3.13 | **337,000** | - |
| | | | **48,867,511** | 64,708,147 |
| 2. | **Current assets** | | | |
| | (a) Inventories | 3.14 | **26,924,193** | 20,817,252 |
| | (b) Trade receivables | 3.15 | **103,003,686** | 71,129,747 |
| | (c) Cash and Bank Balances | 3.16 | **21,891,162** | 8,688,399 |
| | (d) Short-term loans and advances | 3.17 | **15,747,259** | 11,618,524 |
| | (e) Other current assets | 3.18 | **167,409** | - |
| | | | **167,733,709** | 112,253,922 |
| | **TOTAL** | | **216,601,220** | 176,962,069 |
| | **Significant Accounting Policies and Notes forming an integral part of the Financial Statements** | 1,2,3 | | |

**As per my attached report of even date,**

**P. V. Deo**
**Chartered Accountant**

**Place : Pune**
**Date : 29th April, 2014**

**On behalf of the Board of Directors,**

**K. Padmanabham** **T. V. Prasad**

**Place : Pune**
**Date : 29th April, 2014**

## ANALOGIC CONTROLS INDIA LIMITED

**Statement of Profit and Loss for the year ended 31st March, 2014.**

| | | | Note No. | Year ended 31st March, 2014 ₹ | Year ended 31st March, 2013 ₹ |
|---|---|---|---|---|---|
| I | | **Revenue from operations** | 3.19 | **106,855,800** | 21,095,743 |
| II | | **Other income** | 3.20 | **2,080,649** | 282,937 |
| III | | **Total revenue (I+II)** | | **108,936,449** | 21,378,680 |
| IV | | **Expenses** | | | |
| | (a) | Cost of materials consumed | 3.21 | **45,657,641** | 10,313,602 |
| | (b) | Changes in inventories of work-in-progress | 3.22 | **(5,276,813)** | 21,717,047 |
| | (c) | Employee benefit expenses | 3.23 | **26,551,244** | 28,090,954 |
| | (d) | Finance costs | 3.24 | **17,934,386** | 20,747,121 |
| | (e) | Depreciation and amortisation expense | 3.25 | **2,569,647** | 2,905,242 |
| | (f) | Other expenses | 3.26 | **25,151,339** | 19,446,156 |
| | | **Total expenses (IV)** | | **112,587,444** | 103,220,122 |
| V | | **Loss before tax (III - IV)** | | **(3,650,995)** | (81,841,442) |
| VI | | **Tax expense:** | | | |
| | (a) | Current tax expense | | **-** | - |
| | (b) | Deferred tax (Expenses)/ Savings | | **1,434,930** | 20,228,225 |
| | (c) | Deferred tax (Expenses)/ Savings for earlier years | | **(21,707,204)** | - |
| | | | | **(20,272,274)** | 20,228,225 |
| VII | | **Loss for the year (V + VI)** | | **(23,923,269)** | (61,613,217) |
| VIII | | **Earnings per share (of ₹ 10/- each):** | | | |
| | (a) | Basic | 3.36 | **(9.33)** | (55.84) |
| | (b) | Diluted | 3.36 | **(9.33)** | (55.84) |

**Significant Accounting Policies and Notes forming an integral part of the Financial Statements** 1,2,3

**As per my attached report of even date,**

**On behalf of the Board of Directors,**

**P. V. Deo**
**Chartered Accountant**

**K. Padmanabham** **T. V. Prasad**

**Place : Pune**
**Date : 29th April, 2014**

**Place : Pune**
**Date : 29th April, 2014**

## ANALOGIC CONTROLS INDIA LIMITED

**Cash Flow Statement for the year ended 31st March, 2014.**

| | | Year ended 31st March, 2014 ₹ | Year ended 31st March, 2013 ₹ |
|---|---|---|---|
| **A.** | **Cash flow from operating activities :** | | |
| | **Net Profit after tax and exceptional items** | **(23,923,269)** | (61,613,217) |
| | **Adjusted for :** | | |
| | Tax expense | **20,272,274** | (20,228,225) |
| | Depreciation | **2,569,647** | 2,905,242 |
| | Interest paid | **17,934,386** | 20,747,121 |
| | Provision for Doubtful Trade Receivables | **2,234,901** | - |
| | Interest income | **(459,585)** | (137,250) |
| | | **42,551,623** | 3,286,888 |
| | Operating Profit before working capital changes : | **18,628,354** | (58,326,329) |
| | **Changes in :** | | |
| | Trade and other receivables | **(38,835,445)** | 951,334 |
| | Inventories | **(6,106,941)** | 19,305,551 |
| | Liabilities and Provisions | **(35,383,250)** | 38,518,939 |
| | | **(80,325,636)** | 58,775,824 |
| | Cash generation from operations : | **(61,697,282)** | 449,495 |
| | Prior period adjustments | **(627,552)** | (1,796,578) |
| | Direct Taxes paid | **(1,841,920)** | (803,895) |
| | Cash flow before exceptional items : | **(64,166,754)** | (2,150,978) |
| | **Net Cash from operating activities :** | **(64,166,754)** | (2,150,978) |
| **B.** | **Cash flow from investing activities :** | | |
| | Purchase of fixed assets | **(4,329,778)** | (167,403) |
| | Interest received | **292,176** | 137,250 |
| | Invested in Fixed deposit | **(135,000)** | - |
| | **Net cash used in investing activites :** | **(4,172,602)** | (30,153) |
| **C.** | **Cash flow from financing activities :** | | |
| | Proceeds from issuance of share capital | **8,772,020** | - |
| | Proceeds from long term borrowings | **82,635,994** | (4,152,664) |
| | Proceeds from short term borrowings | **9,339,067** | 27,471,092 |
| | Interest paid | **(19,339,962)** | (18,003,088) |
| | **Net cash used in financing activities :** | **81,407,119** | 5,315,340 |
| | **Net changes in cash and cash equivalents (A+B+C) :** | **13,067,763** | 3,134,209 |

**ANALOGIC CONTROLS INDIA LIMITED**

**Cash Flow Statement for the year ended 31st March, 2014.**

| | | Year ended 31st March, 2014 ₹ | Year ended 31st March, 2013 ₹ |
|---|---|---|---|
| **Cash and Cash Equivalents, at the beginning :** | | **8,688,399** | 5,554,190 |
| **Add : Net changes in cash and cash equivalents, as above** | | **13,067,763** | 3,134,209 |
| **Cash and Cash Equivalents, at the close :** | | **21,756,162** | 8,688,399 |
| | | | |
| **Cash and Cash Equivalents :** | | | |
| **Cash and Bank Balances:** | | **21,891,162** | 8,688,399 |
| **Less : Deposits with original maturity over three months** | | **135,000** | - |
| | | **21,756,162** | 8,688,399 |
| | | | |
| **Significant Accounting Policies and Notes forming part of the Accounts** | 1,2,3 | | |
| **The notes above referred form an integral part of the Cash Flow Statement** | | | |

**On behalf of the Board of Directors,**

**As per my attached report of even date,**

**P. V. Deo**
**Chartered Accountant**

**K. Padmanabham** **T. V. Prasad**

**Place : Pune**
**Date : 29th April, 2014**

**Place : Pune**
**Date : 29th April, 2014**

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014.

**1. Company Overview :**

Analogic Controls India Limited is a public limited company incorporated on 12th July, 1996. The Company is engaged in the business of designing, developing and manufacturing of reliable electronic systems and sub-systems for mission critical applications. The Company offers products and services for mission critical technologies of national importance in Defence, Aerospace, Communications and Industrial Electronics.

During the financial year covered by these statements, the Company became a subsidiary of Bharat Forge Limited.

Bharat Forge Limited, the erstwhile promoters of the Company and the Company have entered into a Shareholders' Agreement on 18th June, 2013 and have agreed to various terms and conditions which have also become part of the Articles of Association of the Company. The Shareholders' Agreement has put certain restrictions on transferrability of the equity shares held by the erstwhile promoters of the Company. Bharat Forge Limited is entitled for options to acquire shareholding from the erstwhile promoters in future.

Operating Cycle of the Company is considered to be of 12 months.

**2. Statement of Significant Accounting Policies :**

2.1 **Basis of Accounting :**

These accounts have been prepared under historical cost convention and comply with the Accounting Standards, as prescribed by the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956, read with the General Circular No.s 15/2013 dated 13th September 2013 and 8/2014 dated 4th April, 2014 issued by the Ministry of Corporate Affiars, Government of India. All income and expenses having a material bearing on the financial statements are recognized on the accrual basis.

2.2 **Use of Estimates :**

The preparation of financial statements 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. Any revisions to accounting estimates are recognised prospectively in current and future periods. 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.

2.3 **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:

a) Sale of Goods :

Domestic sales are recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch from the point of sale, consequent to property in goods being transferred. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Export sales are recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on the basis of dates of Bill of Lading.

b) Sale of Services :

Revenue from the services rendered on a time basis is recognized based on services rendered and chargeable to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on milestones achieved as specified in the contracts, on the percentage of completion basis. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

c) Contract Revenues :

Revenue from contracts is recognized on a percentage completion method. Contract revenue associated with project related activity is recognised as revenue and expenses respectively by reference to the stage of completion of the project at the balance sheet date. The stage of completion of project is determined by the proportion of contract costs incurred for work performed up to the balance sheet date to the estimated total contract costs. Full provision is made for any loss in the period in which it is first foreseen. Contract revenues thus recognized include unbilled revenues, in respect of which stage of commercial billing has not been reached as per the underlying contracts.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014.**

2.4 **Fixed Assets and Depreciation :**

a) Fixed Assets :

Fixed Assets are stated at cost of acquisition net of accumulated depreciation and accumulated impairment losses, if any. The cost comprise purchase price, borrowing costs if capitalization criteria is 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. Fixed Assets are shown net of accumulated depreciation (except free hold land) and amortisation.

Subsequent expenditure (for new projects and in case of substantial modernisation or expansion at the existing units) 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. Trial run expenditure is also capitalised.

The Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

Gains or losses arising from de-recognition 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.

b) Depreciation :

Depreciation is provided in the books on pro-rata basis at the rates specified in Schedule XIV to the Companies Act, 1956, by following straight line method. Individual assets costing less than R 5,000 are depreciated in full in the period of purchase.

2.5 **Inventories :**

a) Raw Materials :

Raw Materials are stated at lower of cost and realisable value.

b) Work in Progress :

Work in Progress are valued at lower of cost and realisable value.

2.6 **Employee Benefits :**

a) Post-employment benefits plan :

Contributions to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of profit and loss for the period in which they occur. Past service cost is recognised immediately, to the extent the benefits are already vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of the scheme assets. Any asset resulting from these calculations is limited to the present value of the available refunds and reductions in future contributions to the scheme.

b) Short term employee benefits :

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by the employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives.

c) Long term employee benefits :

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as liability at the present value of the defined benefit obligation at the balance sheet date, with actuarial valuation being carried out at each balance sheet date.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014.**

2.7 **Borrowing Costs :**

Interest on borrowings is recognised in the statement of profit and loss, save and except, interest incurred on borrowings, specifically raised for setting up new projects which is capitalised to the costs of the concerned asset until such time, the asset is ready to be put to use for its intended purpose.

2.8 **Foreign Currency Translation :**

a) 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.

b) Conversion

All monetary assets and liabilities in foreign currency and foreign currency exposure in respect of foreign currency loans other than for financing fixed assets outstanding at the close of the financial year are valued at the closing exchange rates on reporting date. The loss or gain due to fluctuation of exchange rates is charged to statement of profit and loss.

c) Exchange differences

i Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

ii Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

iii All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of a and b above, the company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated 09 August 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

2.9 **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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

2.10 **Taxation :**

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.

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

2.11 **Impairment :**

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. 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-tax discount rate that reflects the current market assessments of time value of money and the risk specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

2.12 **Preliminary Expenses :**

The preliminary expenses are written off, in the year in which those are incurred.

2.13 **Expenses on Issue of Shares :**

Expenses on issue of shares are written off, in the year in which those are incurred.

2.14 **Leases :**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the statement of profit and loss on a straight-line basis.

2.15 **Cash Flow Statement :**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.16 **Cash and cash equivalents (for purposes of Cash Flow Statement) :**

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.17 **Provisions, Contingent Liabilities and Contingent Assets :**

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. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

| | | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|---|
| **3.** | **Notes on Accounts :** | | | |
| **3.1** | **Share Capital :** | | | |
| | **Authorised :** | | | |
| | **3,000,000** | (1,500,000) Equity Shares of P 10/-, each | **30,000,000** | 15,000,000 |
| | **3,000,000** | (1,500,000) | **30,000,000** | 15,000,000 |
| | **Issued, Subscribed and Paid up :** | | | |
| | **2,758,670** | (1,103,468) Equity Shares of P 10/-, each, fully paid up | **27,586,700** | 11,034,680 |
| | **2,758,670** | (1,103,468) | **27,586,700** | 11,034,680 |

(a) The Company has only one class of shares referred to as equity shares having a par value of P 10/-. Each holder of equity shares is entitled to one vote per share.

(b) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive surplus assets of the Company, remaining after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) The reconciliation of the number of shares outstanding and the amount of paid-up share capital as at 31st March, 2014 and 31st March, 2013 is set out below.

| | As at 31st March, 2014 | | As at 31st March, 2013 | |
|---|---|---|---|---|
| | **No. of Shares** | **Amount in ₹** | No. of Shares | Amount in ₹ |
| Balance at the beginning of the year | **1,103,468** | **11,034,680** | 1,103,468 | 11,034,680 |
| Add: Shares issued during the year | **1,655,202** | **16,552,020** | - | - |
| Balance at the close of the year | **2,758,670** | **27,586,700** | 1,103,468 | 11,034,680 |

(d) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

| Name of the shareholders | As at 31st March, 2014 | | As at 31st March, 2013 | |
|---|---|---|---|---|
| | **No. of Shares** | **% age** | No. of Shares | % age |
| Bharat Forge Ltd.$ | **1,655,202** | **60.00** | - | - |
| Mr. T. V. Prasad | **496,638** | **18.00** | 467,638 | 42.38 |
| Mr. K. Padmanabham | **206,500** | **7.49** | 188,500 | 17.08 |
| Mr. C. Muralidhar Reddy | **188,500** | **6.83** | 158,500 | 14.36 |
| Mr. K. Prabhakar | **170,450** | **6.18** | 156,000 | 14.14 |

$ The Holding Company

ANALOGIC CONTROLS INDIA LIMITED

**NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014.**

| | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|
| **3.2 Reserves and Surplus :** | | |
| **Securities Premium Reserve :** | | |
| As per last account | **1,135,000** | 1,135,000 |
| **Surplus/(Deficit) in the Statement of Profit and Loss :** | | |
| As per last account | **(46,240,368)** | 15,372,849 |
| Add : Loss for the year transferred from the Statement of Profit and Loss | **(23,923,269)** | (61,613,217) |
| Subtotal | **(70,163,637)** | (46,240,368) |
| Less : Appropriations | | |
| Transitional Provision for Leave Encashment, net of deferred tax asset | **395,835** | - |
| Closing Balance | **(70,559,472)** | (46,240,368) |
| **TOTAL :** | **(69,424,472)** | (45,105,368) |
| **3.3 Share application money pending allotment :** | | |
| Share application money[(a)] | **-** | 7,780,000 |
| **TOTAL :** | **-** | 7,780,000 |

(a) Refunded during the financial year covered by these statements

| | Current | | Non - Current | |
|---|---|---|---|---|
| | **As at 31st March, 2014 ₹** | As at 31st March, 2013 ₹ | **As at 31st March, 2014 ₹** | As at 31st March, 2013 ₹ |
| **3.4 Long-term Borrowings :** | | | | |
| **Secured** | | | | |
| Term Loan from Banks[(a)(b)] | **4,020,691** | 5,148,042 | **7,549,252** | 11,559,958 |
| Less : Shown under "Other Current Liabilities" (Refer Note No. 3.8) | **4,020,691** | 5,148,042 | **-** | - |
| **Subtotal :** | **-** | **-** | **7,549,252** | 11,559,958 |
| **Unsecured** | | | | |
| Debentures[(c)] | | | **86,646,700** | - |
| **866,467** - 0% Unsecured Compulsorily Convertible Debentures of ₹ 100/- each, fully paid | | | | |
| **TOTAL :** | | | **94,195,952** | 11,559,958 |

| | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|
| (a) Term Loans from Andhra Bank : | | |
| Balance outstanding : | **11,262,571** | 15,997,964 |

Above loans are primarily secured by Equitable Mortgage of Land, Building and Hypothecation of equipment, furniture & fittings (Present & future) proposed to be constructed /purchased out of the term loans. The loans are collaterally secured by Equitable Mortgage of certain immovable properties belonging to the erstwhile promoters of the Company and also by the first charge on unencumbered fixed assets of the Company. The loans have been guaranteed by the erstwhile promoters of the Company.

These loans are repayable in 72 monthly instalments and carry interest at base rate plus 3.75% to 4.75% p.a.

| | | |
|---|---|---|
| (b) Term Loans from HDFC Bank | | |
| Balance outstanding : | **307,372** | 710,036 |

Above loans are secured by hypothecation of motor cars purchased, thereunder.
Loans are repayable in 36 to 60 months and carry interest at 11% to 13% p.a.

| | | |
|---|---|---|
| (c) The Company has issued the following Unsecured Compulsorily Convertible Debentures | | |
| Balance outstanding : | **86,646,700** | - |

866,467 0% Unsecured Compulsorily Convertible Debentures of ₹ 100 each issued by the Company to Bharat Forge Limited, its Holding Company, during the financial year covered by these statements have a tenor of 60 months from the date of allotment. The said debentures, shall unless otherwise agreed, but subject to the provisions of the Shareholders' Agreement, be converted into the equity shares of the Company any time after 48 months from the date of allotment, but not before exercise of the Call Option 2, by Bharat Forge Limited, as per the Shareholders' Agreement. The conversion shall be at the higher of (i) Fair Value determined in accordance with the provisions of the Shareholders' Agreement or (ii) Par Value.

| | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|
| **3.5** | **Long-Term Provisions :** | | |
| | **Provision for employee benefits :** | | |
| | Gratuity | **922,372** | - |
| | Compensated absences | **194,367** | - |
| | **TOTAL :** | **1,116,739** | - |
| **3.6** | **Short-Term Borrowings :** | | |
| | **Secured** | | |
| | Cash Credit[(a),(b)] | **106,140,581** | 75,848,783 |
| | Raw Material Assistance from NSIC[(c)] | **7,482,495** | 13,935,226 |
| | **Unsecured** | | |
| | Demand loans from companies[(d)] | **15,104,457** | 27,604,457 |
| | Demand loans from directors[(d)] | **4,620,000** | 6,620,000 |
| | **TOTAL :** | **133,347,533** | 124,008,466 |

(a) Cash Credit Facility from Andhra Bank :

Cash Credit facility availed from Andhra Bank is primarily secured by hypothecation of stock of Raw Materials, Work in Progress, Finished Goods and book debts. The facility is collaterally secured by Equitable Mortgage of certain immovable properties belonging to the erstwhile promoters of the Company and also by the first charge on unencumbered fixed assets of the Company. The facility has been guaranteed by the erstwhile promoters of the Company.

(b) Rate of interest applicable is 3.75% over Base Rate, p.a.

(c) Raw Material Assistance availed from NSIC is secured by bank guarantee equivalent to the value of limit sanctioned from Andhra Bank. Maximum repayment period is 90 days and the facility carries interest @13.40% p.a.

(d) Rates of interest for demand loans from companies and directors are in the range from 12% p.a. to 18% p.a., wherever loans are interest bearing.

| | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|
| **3.7** | **Trade Payables :** | | |
| | Micro, Small and Medium Enterprises | **57,943** | 799,659 |
| | Others | **7,077,115** | 12,193,975 |
| | **TOTAL :** | **7,135,058** | 12,993,634 |
| **3.8** | **Other Current Liabilities :** | | |
| | Current maturities of long term debt - Secured (Refer Note No. 3.3) | **4,020,691** | 5,148,042 |
| | Creditors for capital expenditure | **1,165,649** | 1,180,619 |
| | Accrued expenses | **5,799,975** | 12,159,541 |
| | Statutory dues | **1,298,386** | 4,351,791 |
| | Advances from customers | **9,215,000** | 26,801,714 |
| | Other amounts payable | **1,098,910** | 3,550,000 |
| | **TOTAL :** | **22,598,611** | 53,191,707 |
| **3.9** | **Short-Term Provisions :** | | |
| | **Provision for taxation (Net of advance tax)** | - | 170,221 |
| | **Provision for employee benefits :** | | |
| | Gratuity | **8,694** | 1,328,771 |
| | Compensated absences | **36,405** | - |
| | **TOTAL :** | **45,099** | 1,498,992 |

## ANALOGIC CONTROLS INDIA LIMITED

**3.10 Fixed Assets :**

| | Freehold Land ₹ | Factory Building ₹ | Computers and Printers ₹ | Plant and Equipments ₹ | Furniture and Fixtures ₹ | Office Equipments ₹ | Motor Car ₹ | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|---|---|---|---|---|---|
| **GROSS BLOCK, AT COST :** | | | | | | | | | |
| As at 31st March, 2013. | 413,976 | 33,933,028 | 3,529,732 | 6,692,111 | 3,718,532 | 2,598,488 | 3,113,664 | **53,999,531** | 54,332,128 |
| Additions | - | 514,608 | 327,015 | 2,177,708 | 703,262 | 151,532 | - | **3,874,125** | 16,403 |
| Disposals/adjustments | - | - | - | - | - | - | - | **-** | - |
| **As at 31st March, 2014.** | **413,976** | **34,447,636** | **3,856,747** | **8,869,819** | **4,421,794** | **2,750,020** | **3,113,664** | **57,873,656** | 54,348,531 |
| **DEPRECIATION AND AMORTIZATION :** | | | | | | | | | |
| Upto 31st March, 2013. | - | 2,235,801 | 2,725,443 | 2,153,147 | 904,752 | 560,743 | 1,060,622 | **9,640,508** | 7,235,266 |
| Disposals/adjustments | - | 2,038 | 474 | 461 | 1,299 | (56,376) | (2,604) | **(54,708)** | - |
| For the year | - | 1,140,521 | 270,304 | 439,040 | 252,373 | 171,611 | 295,798 | **2,569,647** | 2,905,242 |
| **Upto 31st March, 2014.** | **-** | **3,378,360** | **2,996,221** | **2,592,648** | **1,158,424** | **675,978** | **1,353,816** | **12,155,447** | 10,140,508 |
| **NET BLOCK :** | | | | | | | | | |
| As at 31st March, 2013. | 413,976 | 31,697,227 | 804,289 | 4,538,964 | 2,813,780 | 2,037,745 | 2,053,042 | 44,359,023 | |
| **As at 31st March, 2014.** | **413,976** | **31,069,276** | **860,526** | **6,277,171** | **3,263,370** | **2,074,042** | **1,759,848** | **45,718,209** | |

**ANALOGIC CONTROLS INDIA LIMITED**

| | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|
| **3.11 Long-term loans and advances :** | | |
| **(Unsecured, Good)** | | |
| Capital advances | **361,644** | - |
| Security deposits | **285,979** | 253,859 |
| Pre-paid Expenses | **37,327** | - |
| Advance income tax (Net of provisions) | **1,671,699** | - |
| **TOTAL :** | **2,356,649** | 253,859 |
| **3.12 Deferred tax Assets (net)** | | |
| **Deferred Tax Assets[(a)] :** | | |
| Timing differences for | | |
| Disallowances | **3,269,200** | 23,232,883 |
| **Less: Deferred Tax Liabilities :** | | |
| Timing differences for | | |
| Depreciation | **3,269,200** | 2,562,558 |
| Others | **-** | 575,060 |
| | **3,269,200** | 3,137,618 |
| **TOTAL :** | **-** | 20,095,265 |

(a) Deferred Tax Assets in respect of disallowances have been recognized only to the extent of existence of Deferred Tax Liabilities on considerations of prudence.

| | | |
|---|---|---|
| **3.13 Other Non-Current Assets :** | | |
| Balances with Bank | | |
| In Fixed Deposits[(a)(b)] | **337,000** | - |
| **TOTAL :** | **337,000** | - |

(a) These deposits are maturing after 12 months.
(b) Pledged with Andhra Bank for issue of Bank Guarantees

| | | |
|---|---|---|
| **3.14 Inventories :** | | |
| (As taken, valued and certified by the Directors) | | |
| Raw materials | **20,833,961** | 20,003,833 |
| Work-in-progress | **6,090,232** | 813,419 |
| **TOTAL :** | **26,924,193** | 20,817,252 |
| **3.15 Trade Receivables :** | | |
| **(Unsecured)** | | |
| Outstanding for more than six months from the date those became due for payment | | |
| Good | **44,934,565** | 66,588,512 |
| Doubtful | **1,495,574** | - |
| Less : Provision | **(1,495,574)** | - |
| | **44,934,565** | 66,588,512 |
| Other Trade Receivables | | |
| Good | **58,069,122** | 4,541,235 |
| Doubtful | **739,328** | - |
| Less : Provision | **(739,328)** | - |
| | **58,069,122** | 4,541,235 |
| **TOTAL :** | **103,003,686** | 71,129,747 |

| | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|
| **3.16 Cash and Bank Balances :** | | | |
| Cash on hand | | **277,800** | 23,824 |
| Balances with banks | | | |
| In current account | | **14,830,359** | 649,287 |
| In fixed deposits[(a)(b)] | | **6,783,003** | 8,015,288 |
| | **TOTAL :** | **21,891,162** | 8,688,399 |
| Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is | | **21,756,162** | 8,688,399 |

(a) These deposits are maturing in 12 months.
(b) Pledged with Andhra Bank for issue of Bank Guarantees

| | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|
| **3.17 Short-Term Loans and Advances :** | | | |
| **(Unsecured, Good)** | | | |
| Service tax credits | | **570,144** | 421,896 |
| Advances to employees | | **36,000** | 507,948 |
| Pre-paid expenses | | **1,404,802** | - |
| Advances to suppliers | | **9,326,575** | 6,080,429 |
| Other advances recoverable in cash or in kind or for value to be received | | **4,409,738** | 4,608,251 |
| | **TOTAL :** | **15,747,259** | 11,618,524 |
| **3.18 Other Current Assets :** | | | |
| Interest receivable | | **167,409** | - |
| | **TOTAL :** | **167,409** | - |

## ANALOGIC CONTROLS INDIA LIMITED

| | | Year ended 31st March, 2014 ₹ | Year ended 31st March, 2013 ₹ |
|---|---|---|---|
| **3.19 Revenue from Operations :** | | | |
| Sale of Goods | | **63,399,184** | 22,877,990 |
| Sale of Services | | **47,621,166** | 517,755 |
| Trading Sales | | **-** | 442,932 |
| | | **111,020,350** | 23,838,677 |
| Less: Excise Duty | | **4,164,550** | 2,742,934 |
| | **TOTAL :** | **106,855,800** | 21,095,743 |
| **3.20 Other Income :** | | | |
| Interest on Bank Deposits | | **459,585** | 137,250 |
| Gain on Foreign Exchange Fluctuations (Net) | | **819,496** | |
| Miscellaneous Income | | **342,035** | 86,686 |
| Prior period adjustments | | **459,533** | 59,001 |
| | **TOTAL :** | **2,080,649** | 282,937 |
| **3.21 Cost of Materials Consumed :** | | | |
| Consumption of Raw Materials and Components | | **45,657,641** | 10,313,602 |
| | **TOTAL :** | **45,657,641** | 10,313,602 |
| **3.22 Changes in Inventories of Work in Progress :** | | | |
| **Inventories at the beginning of the year** | | | |
| Work-in-progress | | **813,419** | 22,530,466 |
| | | **813,419** | 22,530,466 |
| **Inventories at the close of the year** | | | |
| Work-in-progress | | **6,090,232** | 813,419 |
| | | **6,090,232** | 813,419 |
| | **TOTAL :** | **(5,276,813)** | 21,717,047 |
| **3.23 Employee Benefit Expenses :** | | | |
| **(Including Managing and Executive Directors' remuneration)** | | | |
| Salaries and Wages | | **24,690,182** | 26,268,267 |
| Contributions to provident and other funds | | **1,157,659** | 1,117,429 |
| Staff welfare expenses | | **703,403** | 705,258 |
| | **TOTAL :** | **26,551,244** | 28,090,954 |
| **3.24 Finance Costs :** | | | |
| Interest on Bank Borrowings | | **14,427,724** | 15,441,130 |
| Interest on other Borrowings | | **2,885,380** | 2,145,714 |
| Other Interest | | **621,282** | 3,160,277 |
| | **TOTAL :** | **17,934,386** | 20,747,121 |

| | Year ended 31st March, 2014 ₹ | Year ended 31st March, 2013 ₹ |
|---|---|---|
| **3.25 Depreciation :** | | |
| Depreciation on Tangible Assets | **2,569,647** | 2,905,242 |
| **TOTAL :** | **2,569,647** | 2,905,242 |
| **3.26 Other Expenses :** | | |
| **Manufacturing expenses :** | | |
| Power and Fuel | **1,105,471** | 995,365 |
| Labour and Processing Charges | **56,171** | 279,571 |
| Repairs and Maintenance - Plant | **143,340** | 45,503 |
| Technical Consultancy | **3,928,915** | 2,375,798 |
| Water Charges | **46,585** | 51,937 |
| | **5,280,482** | 3,748,174 |
| **Establishment and other expenses :** | | |
| Rates and Taxes | **338,038** | 114,165 |
| Communication | **375,301** | 315,753 |
| Printing and Stationery | **334,746** | 286,669 |
| Travelling and Conveyance | **5,213,085** | 4,157,775 |
| Professional Fees | **1,050,315** | 273,000 |
| Repairs and Maintenance - Buildings | **210,466** | 108,300 |
| Repairs and Maintenance - Others | **883,737** | 619,355 |
| Insurance | **152,950** | 270,355 |
| Security Services | **302,558** | 277,186 |
| Sales promotion | **279,348** | 340,790 |
| Freight and Forwarding | **339,641** | 95,773 |
| Bank Commission | **2,668,339** | 3,009,561 |
| Loss on Foreign Exchange Fluctuations (Net) | **-** | 102,261 |
| Audit Fee | **179,776** | 45,000 |
| Miscellaneous Expenses | **1,246,044** | 1,502,198 |
| Bad Debts | **4,061,612** | 4,179,841 |
| Provision for Doubtful Trade Receivables | **2,234,901** | - |
| | **19,870,857** | 15,697,982 |
| **TOTAL :** | **25,151,339** | 19,446,156 |

| | | As at 31st March, 2014 ₹ | As at 31st March, 2013 ₹ |
|---|---|---|---|
| **3.27** | **Contingent Liabilities not provided for in respect of :** | | |
| | a) Income tax (Matter under dispute) | **659,399** | 659,399 |
| | b) Central Excise Duty and Penalty | **1,348,264** | 1,345,049 |
| | **TOTAL :** | **2,007,663** | 2,004,448 |
| **3.28** | **Commitments :** Estimated amount of contracts remaining to be executed on Capital Account and not provided for | **275,000** | - |
| | **TOTAL :** | **275,000** | - |
| **3.29** | **Value of imports calculated on CIF basis :** | | |
| | a) Raw materials and Components | **22,063,147** | - |
| | b) Capital goods | **99,273** | - |
| | **TOTAL :** | **22,162,420** | - |
| **3.30** | **Expenditure in Foreign Currency** | | |
| | Travelling | **232,420** | - |
| | **TOTAL :** | **232,420** | - |

**3.31 Consumption of raw materials**

| | Year ended 31st March, 2014. ₹ | % | Year ended 31st March, 2013. ₹ | % |
|---|---|---|---|---|
| Imported | **22,090,182** | **48.38%** | - | - |
| Indigenous | **23,567,459** | **51.62%** | - | - |
| **TOTAL :** | **45,657,641** | **100%** | - | - |

**3.32 Payment To Auditors* :**

| | 31st March, 2014 ₹ | 31st March, 2013 ₹ |
|---|---|---|
| a) As auditor | **123,596** | 25,000 |
| b) For tax audit | **56,180** | 20,000 |
| **TOTAL :** | **179,776** | 45,000 |

* Previous year's figures are excluding Service Tax

**3.33 Disclosure pursuant to Accounting Standard – 7 (Revised) on "Construction Contracts."**

| | Year ended 31st March, 2014. ₹ | Year ended 31st March, 2013. ₹ |
|---|---|---|
| a) Contract revenue recognised during the year | **13,743,470** | - |
| b) Contract costs incurred and recognised profits (less recognised losses) up to 31st March | **13,743,470** | - |
| c) Advances received | **1,700,000** | - |
| d) Gross amount due from customers for the contract work presented as an asset | **-** | - |
| e) Gross amount due to customers for the contract | **1,098,910** | - |

### 3.34 Disclosure pursuant to Accounting Standard – 15 (Revised) on "Employee Benefits"

(a) Defined benefit plans :

The Company makes annual contributions to the Employees' Group Gratuity cum Life Insurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for the qualified employees. The Scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service or part thereof, in excess of six months. Vesting occurs upon completion of five years of service.The present value of defined benefit obligation and the related current service costs were measured using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. The following table sets out the funded status of the gratuity plan and the amounts recognized in the financial statements for the year ended 31st March, 2014.

| Sr. No. | Particulars | 31st March, 2014. ₹ |
|---|---|---|
| I | **Change in Benefit obligations :** | |
| | Projected benefit obligation, at the beginning of the year | **1,328,771** |
| | Interest cost | **119,589** |
| | Past service cost | **-** |
| | Current service cost | **183,543** |
| | Settlement Cost/ (Credit) | **-** |
| | Benefits paid | **-** |
| | Acturial (gain)/loss | **(700,837)** |
| | **Projected benefit obligation, at the end of the year** | **931,066** |
| II | **Fair value of Plan assets :** | |
| | Fair value of plan assets at the beginning of the year | **-** |
| | Expected return on plan assets | **-** |
| | Employer's contribution | **-** |
| | Assets distributed on settlement | **-** |
| | Benefits paid | **-** |
| | Acturial gain/(loss) | |
| | **Fair value of plan assets at the end of the year** | **-** |
| III | **Amount recognized in the Balance Sheet** | |
| | Projected benefit obligation, at the end of the year | **931,066** |
| | Fair value of plan assets at the end of the year | **-** |
| | Funded status | **(931,066)** |
| | Unrecognized acturial gain/(loss) | **-** |
| | **Net asset/(liability) recognized in the balance sheet** | **(931,066)** |
| IV | **Amount recognized in the Statement of Profit and Loss** | |
| | Current service cost | **183,543** |
| | Past service cost | **-** |
| | Interest cost | **119,589** |
| | Expected return on plan assets | **-** |
| | Settlement Cost/ (Credit) | **-** |
| | Net acturial (gain)/loss recognized | **(700,837)** |
| | **Expenses recognized in the Statement of Profit and Loss** | **(397,705)** |
| VI. | **Acturial Assumptions :** | |
| | Discount rate | **9.00%** |
| | Salary escalation rate | **4.00%** |
| | Expected Average remaining working lives of employees(years) | **21.67** |
| | Expected rate of return on plan assets | **-** |

(b) Other Long Term Employee Benefits :

The table below gives summary of the Company's obligations for other long term employee benefits in the form of compensated absences.

| Sr. No. | Particulars | 31st March, 2014. ₹ |
|---|---|---|
| 1 | Present Value of Obligation | **230,772** |
| 2 | Fair Value of Plan Assets | **-** |
| 3 | Net asset/(liability) recognized in the Balance Sheet | **230,772** |

**3.35 Related Party Disclosure :**

**A. Related Parties and their relationships :**

a) Holding Company : i) Bharat Forge Limited

b) Key Managerial Personnel :
- i) Mr. K. Padmanabham - Managing Director
- ii) Mr. T. V. Prasad - Wholetime Director
- iii) Col. Rajinder Singh Bhatia - Additional Director
- iv) Mr. Kishore Mukund Saletore - Additional Direcor
- v) Mr. K. Prabhakar - Director#
- vi) Mr. C. Muralidhar Reddy - Director#
- # Ceased to be Directors and Key Management Personnel, with effect from 18th June, 2013.

c) Enterprises having common Key Management Personnel : i) Integrated Clean Room Technologies Limited

**B. Transactions with Related Parties :**

| Particulars | Key Managerial Personnel ₹ | Holding Company ₹ | Enterprises having common Key Management Personnel ₹ | Total ₹ |
|---|---|---|---|---|
| Remuneration | **2,920,000**<br>(4,800,000) | **-**<br>- | **-**<br>- | **2,920,000**<br>(4,800,000) |
| Purchase of fixed assets | **-**<br>- | **-**<br>- | **514,608**<br>- | **514,608**<br>- |
| Reimbursement of Expenses | **-**<br>- | **276,373**<br>- | **-**<br>- | **276,373**<br>- |
| Issue of Equity Shares | **-**<br>- | **16,552,020**<br>- | **-**<br>- | **16,552,020**<br>- |
| Issue of 0% Compulsorily Convertible Debentures | -<br>- | **86,646,700**<br>- | -<br>- | **86,646,700**<br>- |
| Interest paid | **1,572,052**<br>(364,900) | **876,643**<br>- | **300,000**<br>(152,465) | **2,748,695**<br>(517,365) |
| Loans taken | **270,000**<br>(4,900,600) | **10,000,000**<br>- | **-**<br>- | **10,270,000**<br>(4,900,600) |
| Repayment of loans taken | **2,270,000**<br>(280,600) | **20,000,000**<br>- | **-**<br>- | **22,270,000**<br>(280,600) |

*(Figures in bracket indicate previous year)*

**C. Balance with Related Parties:**

| Particulars | Key Managerial Personnel ₹ | Holding Company ₹ | Enterprises having common Key Management Personnel ₹ | Total ₹ |
|---|---|---|---|---|
| Amounts payables | **1,128,545**<br>- | **326,959**<br>- | **604,202**<br>(196,985) | **2,059,706**<br>(196,985) |
| Loans taken | **4,620,000**<br>(6,620,000) | **10,000,000**<br>- | **2,000,000**<br>(2,000,000) | **16,620,000**<br>(8,620,000) |

*(Figures in bracket indicate previous year)*

**3.36 Earning per Share (Face Value of ₹ 10 Each) :**

| | | |
|---|---|---|
| Loss for the year after taxation | **(23,923,269)** | (61,613,217) |
| Weighted Average Number of Equity Shares, outstanding during the period | **2,563,674** | 1,103,468 |
| Basic Earning per Share in rupees | **(9.33)** | (55.84) |
| Diluted Earning per Share in rupees[(a)] | **(9.33)** | (55.84) |

(a) Potential Equity Shares arising out of 0% Compulsorily convertible debentures issued by the Company are anti-dilutive and hence not considered for the purpose of calculating diluted Earning per Share

**3.37** In the opinion of the Directors, all the current assets have been stated in the Balance Sheet at a value at which those are expected to be realised in the ordinary course of business. The Directors also have to state that adequate provisions have been made in the accounts in respect of all known quantified and ascertained liabilities and none of the liabilities or provisions are in the nature of reserves.

**3.38 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

| Particulars | As at 31 March, 2014 ₹ | As at 31 March, 2013 ₹ |
|---|---|---|
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | **57,943** | 799,659 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | **23,223** | Not Available |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | **-** | Not Available |
| (iv) The amount of interest due and payable for the year | **23,223** | Not Available |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | **23,223** | Not Available |
| (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | | Not Available |

**3.39** Previous year's figures have been regrouped and rearranged wherever necessary, so as to make those comparable with the current year. Previous year's figures have been displayed to the extent data is available with the Company.

**As per my attached report of even date,**

**P. V. Deo**
**Chartered Accountant**

**Place : Pune**
**Date : 29th April, 2014**

**On behalf of the Board of Directors,**

**K. Padmanabham** **T. V. Prasad**

**Place : Pune**
**Date : 29th April, 2014**

KALYANI | BHARAT FORGE

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