KALYANI

BHARAT FORGE

Deep-rooted Innovation

Subsidiary Companies
Annual Reports - 2012-13

CONTENTS

Note:

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

Currency	Rate for conversion
EURO	72.2605
SEK	8.4260
GBP	88.9300
USD - Bharat Forge International Limited	54.3893
USD - Bharat Forge America Inc.	54.7773
RMB	8.8270

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

CDP Bharat Forge GmbH, 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, 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Hagen, April 30th, 2013

W U P Treuhand GmbH
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, 2012

	Rs.		EUR		Previous Year EUR
1. Sales		11,002,294,246.21		152,258,761.65	172,656,846.05
2. Decrease in finished good inventories and work-in-process		190,678,296.19		2,638,762.48	1,011,806.61
3. Production for own plant and equipment capitalised		6,980,454.63		96,601.25	18,306.94
		11,199,952,997.03		154,994,125.38	173,686,959.60
4. Other operating income		98,024,328.76		1,356,540.97	3,516,621.29
		11,297,977,325.79		156,350,666.35	177,203,580.89
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	(5,606,636,949.68)		(77,589,235.47)		(89,413,968.07)
b) Cost of purchased services	(2,034,502,791.51)		(28,155,116.44)		(31,456,373.86)
		(7,641,139,741.19)		(105,744,351.91)	(120,870,341.93)
		3,656,837,584.60		50,606,314.44	56,333,238.96
6. Personnel expenses					
a) Wages and saleries	(1,796,969,689.49)		(24,867,938.77)		(23,874,864.74)
b) Social security contributions and pension expenses thereof Rs. 13,854,505.67 EUR 191,730.00 (2011: EUR 12,296.67) for pension expenses	(355,826,873.18)		(4,924,223.79)		(5,088,295.93)
		(2,152,796,562.67)		(29,792,162.56)	(28,963,160.67)
7. Depreciation and amortization on intangible fixed assets and tangible assets		(424,251,678.89)		(5,871,142.31)	(5,212,632.00)
8. Other operating expenses		(917,727,550.34)		(12,700,265.71)	(12,239,252.31)
		162,061,792.70		2,242,743.86	9,918,193.98
9. Income from Profit & Loss transfer agreements	91,942,351.08		1,272,373.58		1,515,361.64
10 Investment income thereof Rs. 4,043,625.32 EUR 55,959.00 (2011: EUR 97,192.41) from affiliated companies	4,640,976.86		64,225.64		99,777.65
11 Other interest and similar income	2,931,589.70		40,569.74		232.51
12 Depreciation on financial assets	0.00		0.00		0.00
13 Expenses out of profit and loss transfer agreements	(128,103,106.57)		(1,772,795.74)		(2,760,801.46)
14 Interest and similar expenses thereof Rs. 25,008,925.49 EUR 346,094.00 (2011: EUR 497,827.00) to affiliated companies thereof Rs. 23,721,604.68 EUR 328,279.00 (2011: EUR 393,745.81) from discounting of provisions	(62,171,298.94)		(860,377.37)		(1,132,157.36)
		(90,759,487.87)		(1,256,004.15)	(2,277,587.02)
15 Results from ordinary business operations		**71,302,304.83**		**986,739.71**	**7,640,606.96**
16 Extraordinary Income	27,458,990.00		380,000.00		0.00
17 Extraordinary Expenses	(32,725,602.60)		(452,883.70)		(784,333.00)
18 Extraordinary Results		(5,266,612.60)		(72,883.70)	(784,333.00)
19 Taxes on income	358,064.51		4,955.19		(676,222.27)
20 Other taxes	(22,371,928.13)		(309,601.07)		(238,457.21)
		(22,013,863.62)		(304,645.88)	(914,679.48)
21 Net income for the year		**44,021,828.61**		**609,210.13**	**5,941,594.48**

CDP Bharat Forge GmbH, Ennepetal

Balance Sheet as at December 31st, 2012

ASSETS	Rs.		EUR		As at 31/12/2011 EUR
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		26,963,933.31		373,149.00	348,455.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	414,144,917.09		5,731,276.66		5,748,225.66
2. Technical equipment and machinery	405,102,479.47		5,606,140.00		4,911,265.00
3. Other plant, factory and office equipment	575,830,122.74		7,968,809.00		7,120,574.00
4. Prepayments on tangible assets and construction in progress	136,677,517.99	1,531,755,037.29	1,891,455.47	21,197,681.13	1,982,064.09
					19,762,128.75
III. Financial assets					
1. Shares in affiliated companies	4,690,708,157.57		64,913,862.45		62,089,862.45
2. Loans to affiliated companies	313,971,872.50		4,345,000.00		3,345,000.00
3. Investments	316,139.69		4,375.00		4,375.00
4. Loans to associated companies	2,529,117.50		35,000.00		35,000.00
5. Security investments	0.00		0.00		0.00
		5,007,525,287.26		69,298,237.45	65,474,237.45
		6,566,244,257.86		90,869,067.58	85,584,821.20
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	470,888,355.57		6,516,538.85		7,138,650.97
2. Work in progress	585,680,812.12		8,105,130.91		6,732,882.16
3. Finished goods and merchandise	289,286,870.60		4,003,388.72		2,736,874.99
		1,345,856,038.29		18,625,058.48	16,608,408.12
II. Accounts receivable and other assets					
1. Trade receivables	1,295,925,894.95		17,934,084.25		16,703,786.68
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
2. Receivables from affiliated companies	213,598,612.13		2,955,952.59		3,484,586.40
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
- of which EUR 0.00 (12/31/2011: EUR 652,331.32) to shareholders					
3. Receivables from associated companies	826,949.16		11,444.00		10,044.00
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
4. Other assets	93,193,521.42		1,289,688.30		3,898,048.97
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
		1,603,544,977.66		22,191,169.14	24,096,466.05
III. Cash on hands, bank balances		85,090,702.24		1,177,554.85	4,321,523.39
		3,034,491,718.19		41,993,782.47	45,026,397.56
C. Prepaid expenses		4,055,476.76		56,123.01	48,188.43
Asset side difference from offsating of plan assets		3,517,899.11		48,683.57	-
Total		**9,608,309,351.92**		**132,967,656.63**	**130,659,407.19**

CDP Bharat Forge GmbH, Ennepetal

Balance Sheet as at December 31st, 2012

EQUITY AND LIABILITIES	Rs.		EUR		*As at 31/12/2011* EUR
A. Equity					
I. Share Capital		361,302,500.00		5,000,000.00	5,000,000.00
II. Capital reserves		3,791,105,799.49		52,464,428.00	52,464,428.00
III. Profit/loss brought forward		1,564,181,575.37		21,646,426.13	15,704,831.65
IV. Net income for the year		44,021,828.60		609,210.13	5,941,594.48
		5,760,611,703.46		79,720,064.26	79,110,854.13
B. Accruals					
1. Accruals for pensions and similar obligations	306,689,387.05		4,244,219.00		3,774,744.00
2. Tax accruals	7,587,352.50		105,000.00		864,000.00
3. Other accruals	250,885,657.35		3,471,961.27		4,074,372.22
		565,162,396.90		7,821,180.27	8,713,116.22
C. Liabilities					
1. Liabilities to Banks	151,533,455.19		2,097,044.10		
up to one year: Rs. 151,533,455.19 EUR 2,097,044.10					0.00
(12/31/2011: EUR 0.00)					
2. Trade payables	1,371,220,262.88		18,976,069.40		20,662,769.90
- up to one year: Rs. 1,371,220,262.88 EUR 18,976,069.40					
(12/31/2009: EUR 20,662,769.90)					
3. Payables to affiliated companies	1,730,891,944.56		23,953,500.80		21,783,951.16
- up to one year: Rs. 1,730,891,944.56 EUR 23,953,500.80					
(12/31/2011: EUR 21,783,951.16)					
- of which Rs. 1,483,521,436.08 EUR 20,530,185.04					
(12/31/2011: EUR 18,382,731.19) to shareholders					
- of which Rs. 49,158,541.39 EUR 680,296.17					
(12/31/2009: EUR 826,795.15) from Trade Payables					
4. Other liabilities	28,889,588.93		399,797.80		388,715.78
- up to one year: Rs. 28,889,588.93 EUR 399,797.80					
(12/31/2011: EUR 388,715.78)					
- of which Rs. 28,495,865.31 EUR 394,349.13					
(12/31/2011: EUR 281,239.79) taxes					
- of which EUR 0.00					
(12/31/2011: EUR 0.00) relating to social security					
		3,282,535,251.56		45,426,412.10	42,835,436.84
Total		**9,608,309,351.92**		**132,967,656.63**	**130,659,407.19**

Notes for the fiscal Year 2012 of

CDP Bharat Forge GmbH, Ennepetal

General notes relating to annual accounts

The annual accounts for the fiscal year 2012 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 adjustment.

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

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

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

- Technical rate of interest: 5.06 % 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 1,240.

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

Payables are shown at their repayment values.

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

Notes relating to balance sheet

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

CDP Bharat Forge GmbH, Ennepetal
Assets analysis as at 31st December, 2012

		Historical acquisition or manufacturing costs					Accumulated depreciation				Book value	
		1/1/2012	Additions	Disposals	Transfers	12/31/2012	1/1/2012	Additions	Disposals	12/31/2012	12/31/2012	12/31/2011
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**											
	Concessions, trade mark rights and similar rights and values, licenses	1,131,340.46	234,066.72	11,700.00	5,455.77	1,359,162.95	782,885.46	214,828.49	11,700.00	986,013.95	373,149.00	348,455.00
		1,131,340.46	234,066.72	11,700.00	5,455.77	1,359,162.95	782,885.46	214,828.49	11,700.00	986,013.95	373,149.00	348,455.00
II.	**Tangible assets**											
	1. Land, land rights and Buildings, including buildings on third party land	8,819,604.09	68,699.98	-	383,338.24	9,271,642.31	3,071,378.43	468,987.22	-	3,540,365.65	5,731,276.66	5,748,225.66
	2. Technical equipment and machinery	20,564,795.19	911,239.51	70,049.99	1,207,519.03	22,613,503.74	15,653,530.19	1,423,883.54	70,049.99	17,007,363.74	5,606,140.00	4,911,265.00
	3. Other plant, factory and office equipment	24,053,353.18	4,247,887.01	89,152.88	385,751.05	28,597,838.36	16,932,779.18	3,763,443.06	67,192.88	20,629,029.36	7,968,809.00	7,120,574.00
	4. Prepayments on tangible assets and construction in progress	1,982,064.09	1,891,455.47	-	(1,982,064.09)	1,891,455.47	-	-	-	-	1,891,455.47	1,982,064.09
		55,419,816.55	7,119,281.97	159,202.87	(5,455.77)	62,374,439.88	35,657,687.80	5,656,313.82	137,242.87	41,176,758.75	21,197,681.13	19,762,128.75
III.	**Financial Assets**											
	1. Shares in affiliated companies	62,089,862.45	2,824,000.00	-	-	64,913,862.45	-	-	-	-	64,913,862.45	62,089,862.45
	2. Loans to affiliated companies	3,345,000.00	1,000,000.00	-	-	4,345,000.00	-	-	-	-	4,345,000.00	3,345,000.00
	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	-	-	-	-	-	-	-	-	-	-
		65,474,237.45	3,824,000.00	-	-	69,298,237.45	-	-	-	-	69,298,237.45	65,474,237.45
		122,025,394.46	11,177,348.69	170,902.87	(0.00)	133,031,840.28	36,440,573.26	5,871,142.31	148,942.87	42,162,772.70	90,869,067.58	85,584,821.20

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

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 822), working time associated with progressive retirement (TEUR 553) and anniversary bonuses (TEUR 341).

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 89 and the acquisition cost have the same value. The repayment amounts of the liabilities to be offset amount to TEUR 45. There is a remaining asset value from the offset against the repayment amount of the liabilities.

- Provisions for time associated with progressive retirement: The present values of the assets offset amount to EUR 670 and the acquisition cost to EUR 694. The repayment amounts of the liabilities to be offset amount to TEUR 1,223.

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 260 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 269, of which TEUR 168 will fall due within 2013.

Notes relating to profit & loss account

Turnover

The geographical breakdown of the turnover is as follows:

Turnover distribution by region	**2012**	**2011**
Germany	**77,533**	**69,603**
Other countries	**74,726**	**103,054**
Thereof in Europe	52,505	79,754
Thereof in USA	18,979	20,236
Thereof in Australia	865	907
Thereof in rest of the world	2,377	2,157
TOTAL	**152,259**	**172,657**

Currency conversion

Income from currency conversions amounts to TEUR 31 and losses from currency conversions amount to TEUR 114.

Extraordinary result

In relation to thefts in a field warehouse in the USA € 0.4 million extraordinary expenses for lost products arose as well as € 0.4 million extraordinary income from an insurance refund. The rest of the extraordinary expenses relates 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:

	Difference		Possible deferred
	Positive	Negative	Taxes
	TEUR	TEUR	TEUR
Provisions			
Pensions	475		146
Others	408		126
Other assets	30		9
		100	-31
Losses brought forward	6.000		1.858
	6.913	100	2.108

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

The average personnel structure is shown in the summary below:

Workers	361
Salaried employees	134
Trainees	22
Total number of employees	**517**

Directors of CDP Bharat Forge GmbH in 2012:

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

The pension provisions for former directors amounted to TEUR 608 as of 31.12.2012. 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 195 for the aforementioned group of persons.

In 2012 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Prakash C. Bhalerao (until 23 February 2012),
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Mr. Praveen K. Maheshwari (until 23 February 2012),
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau
- Mr Sanjeev Joglekar (since 24 February 2012)

In 2012 the members of the advisory board received remuneration totalling TEUR 58.

Shareholdings

	Equity Capital	**Share-Holding**	**Last Result**
	TEUR	**%**	**TEUR**
Bharat Forge Holding GmbH	5,128	100	120
Bharat Forge Daun GmbH	3,587	100	1,272 *)
BF New Technologies GmbH	1,575	100	- 1,773*)
Talbahn GmbH	- 64	35	- 104
Bharat Forge Beteiligungs-GmbH	49,657	100	- 7,584

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

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

Ennepetal, 22.02.2013

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 58256 Ennepetal Germany	WuP Truehand EmbH Wirtschaftsprufungsgesellschaf Feithstrasse 177 58097 Hagen Germany

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Bharat Forge Holding GmbH, Ennepetal, for the business year from January 1st to December 31st, 2012. 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, 2013

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

Balance Sheet as at December 31st 2012

A S S E T S

	Rs.		EUR		As at 31/12/2011 EUR
A. Fixed Assets					
Financial assets					
1. Shares in affiliated companies	542,398,332.00		7,506,152.49		1,884,894.47
2. Loans to affiliated companies	72,260,500.00		1,000,000.00		1,615,105.53
		614,658,832.00		8,506,152.49	3,500,000.00
B. Current assets					
I. Accounts receivable and other assets					
1. Receivables from affiliated companies of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year	35,140,385.93		486,301.45		2,551,613.66
2. Other assets of which EUR 0.00 (12/31/20011: EUR 0.00) due after one year	1,713,138.93		23,707.82		45,617.00
		36,853,524.86		510,009.27	2,597,230.66
II. Cash on hands, bank balances					
		20,874,267.83		288,875.22	139,833.01
Total		**672,386,624.69**		**9,305,036.98**	**6,237,063.67**

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

	Rs.		EUR		As at 31/12/2011 EUR
A. Equity					
I. Share Capital	1,806,512.50		25,000.00		25,000.00
II. Capital reserves	218,515,752.00		3,024,000.00		200,000.00
III. Profit/Loss brought forward	141,519,872.58		1,958,467.94		1,259,271.68
IV. Net loss/income for the year	8,704,519.34		120,460.27		699,196.26
		370,546,656.42		5,127,928.21	2,183,467.94
B. Accruals					
1. Tax provisions	0.00		0.00		66,522.78
2. Other Provisions	361,302.50		5,000.00		7,350.00
		361,302.50		5,000.00	73,872.78
C. Liabilities					
Payables to affiliated companies up to one year: Rs. 286,248,382.71 EUR 4,172,108.77 (12/31/2011: EUR 3.979,722.95)		301,478,665.77		4,172,108.77	3,979,722.95
Total		**672,386,624.69**		**9,305,036.98**	**6,237,063.67**

Profit and Loss Account for the period from January 1st to December 31st 2012

	Rs.		EUR		Previous Year EUR
1. Other operating income		283,776.38		3,927.13	-
2. Other operating expenses		(581,227.33)		(8,043.50)	(7,619.93)
		(297,450.95)		(4,116.37)	(7,619.93)
3. Income from investment thereof EUR 0.00 (2011: EUR 773,176.53) from affiliated companies	0.00		0.00		773,176.53
4. Other interest and similar income thereof Rs. 10,149,296.50 EUR 140,454.28 (2011: EUR 148,203.85) from affiliated companies	10,149,296.50		140,454.28		148,203.85
5. Interest and similar expenses thereof Rs. 2,417,113.73 EUR 33.450,00 (2011: EUR 33.450,00) to affiliated companies	2,417,113.73		33,450.00		33,450.00
		7,732,182.77		107,004.28	887,930.38
6. Results from ordinary business operations		**7,434,731.82**		**102,887.91**	**880,310.45**
7. Taxes on income		1,269,787.53		17,572.36	(181,114.19)
8. Net income/ loss for the year		**8,704,519.35**		**120,460.27**	**699,196.26**

Notes for the financial year 2012 of

Bharat Forge Holding GmbH, Ennepetal

General information about the statement of accounts

The statement of accounts for the financial year 2012 was prepared in accordance with §§ 242 – 256a and §§ 264 – 288 of the German Commercial Code (HGB).

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

Balance sheet and valuation principles

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

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

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

Liabilities have been stated at the amounts repayable.

Information on the balance sheet

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

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

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

Information on the profit and loss statement

The **other income** includes release of provisions amounting to kEUR 3.

Other information

Managing Director in 2012 were

Dr. Arndt Laßmann, Businessman, Düsseldorf.

Shares in affiliated companies

	Shares	Equity	Results
	%	KEUR	KEUR
Bharat Forge Aluminiumtechnik GmbH & Co. KG,	100	12.835	17

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, April 29th, 2013

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, 2012. 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 15th, 2013

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

(Störring)
Wirtschaftsprüfer
(German Public Auditor)

(Börstinghaus)
Wirtschaftsprüfer
(German Public Auditor)

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Profit and Loss Account for the period from January 1 to December 31, 2012

	Rs.		EUR		*Previous Year* EUR
1. Sales		2,645,931,457.77		36,616,567.25	29,106,965.52
2. Increase or decrease in finished goods and work-in-progress		44,708,272.28		618,709.70	1,772,718.88
		2,690,639,730.05		37,235,276.95	30,879,684.40
3. Other operating income		45,512,295.35		629,836.43	1,139,271.49
of which Currency Translation Rs. 9,391,580.37					
EUR 136,883.55 (2010: EUR 27,339.88)					
		2,736,152,025.40		37,865,113.38	32,018,955.89
4. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	1,546,892,340.98		21,407,163.54		19,756,753.74
b) Cost of purchased services	362,531,833.20		5,017,012.52		2,630,444.08
		1,909,424,174.18		26,424,176.06	22,387,197.82
5. Personnel expenses					
a) Wages and salaries	351,969,370.67		4,870,840.51		3,583,905.05
b) Social security contributions and pension expenses thereof Rs. 3,239,767.72 EUR 44,834.56 (2011: EUR 51,978.36) for pension expenses	68,938,816.33		954,031.82		710,596.57
6. Depreciation and amortization on intangible fixed assets and tangible assets	133,214,251.43		1,843,527.95		985,204.14
7. Other operating expenses	223,256,676.69		3,089,608.80		3,168,549.10
of which Currency Translation Rs. 7,873,250.45					
EUR 108,956.49 (2011: EUR 11,192.37)					
		777,379,115.12		10,758,009.08	8,448,254.86
		49,348,736.10		682,928.24	1,183,503.21
8. Other interest and similar income	0.00		0.00		1,205.37
9. Interest and similar expenses	43,108,119.87		596,565.48		274,142.85
of which to affiliated companies: Rs. 10,275,443.10					
EUR 142,200.00 (12/31/2011: EUR 148,879.49)					
of which from compounding accruals: Rs. 447,199.98					
EUR 8,332.00 (12/31/2011: EUR 6,518.00)					
		(43,108,119.87)		(596,565.48)	(272,937.48)
10. Results from ordinary business operations		**6,240,616.23**		**86,362.76**	**910,565.73**
11. Extra Ordinary Expenses		3,613,025.00		50,000.00	0.00
		2,627,591.23		36,362.76	910,565.73
11. Taxes on income and profits	176,911.77		2,448.25		47,000.00
12. Other taxes	1,218,868.44		16,867.70		16,988.63
		1,395,780.21		19,315.95	63,988.63
13. Net income for the year		**1,231,811.02**		**17,046.81**	**846,577.10**

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Balance Sheet as at December 31, 2011

ASSETS	Rs.		EUR		*As at 31/12/2011* EUR
A. Fixed Assets					
I. Intangible assets					
1 Concessions, trade mark rights and similar rights and values, licenses	3,495,312.65		48,371.00		108,279.00
2 Prepayments	-		-		-
		3,495,312.65		48,371.00	108,279.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	205,656,550.90		2,846,043.84		2,881,114.84
2. Technical equipment and machinery	590,459,116.45		8,171,257.00		8,099,508.00
3. Other plant, factory and office equipment	68,451,070.96		947,282.00		778,116.00
4. Prepayments on tangible assets and construction in progress	3,571,400.78	868,138,139.09	49,423.97	12,014,006.81	419,673.73 12,178,412.57
III. Financial assets					
Shares in affiliated companies		1,847,310.06		25,564.59	25,564.59
		873,480,761.80		12,087,942.40	12,312,256.16
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	203,306,447.23		2,813,521.18		2,804,771.29
2. Work in progress	165,871,035.30		2,295,459.28		1,597,147.69
3. Finished goods and merchandise	127,316,716.51		1,761,913.03		1,841,514.92
	496,494,199.04		6,870,893.49		6,243,433.90
II. Accounts receivable and other assets					
1. Trade receivables	319,934,532.18		4,427,516.17		5,577,924.29
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
2. Receivables from affiliated companies	6,879.20		95.20		60,000.00
- of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year					
3 Other assets	31,959,709.95		442,284.65		1,615,890.71
- of which EUR 0.00 (12/31/2011: EUR 51,883.00) due after one year					
	351,901,121.33		4,869,896.02		7,253,815.00
III. Cash on hands, bank balances	41,637,003.03		576,206.96		223,190.63
		890,032,323.40		12,316,996.47	13,720,439.53
C. Prepaid expenses		1,582,820.01		21,904.36	55,905.62
Total		**1,765,095,905.21**		**24,426,843.23**	**26,088,601.31**

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Balance Sheet as at December 31, 2012

EQUITY AND LIABILITIES	Rs.		EUR		As at 31/12/2011 EUR
A. Equity					
I. Capital of limited partner	541,953,750.00		7,500,000.00		1,322,456.45
II. Capital reserve	57,374,837.00		794,000.00		
III. Retained income	326,915,220.23		4,524,120.65		3,677,543.55
IV. Net income for the year	1,231,811.01		17,046.81		846,577.10
		927,475,618.24		12,835,167.46	5,846,577.10
B Adjustments for shares held in the own general partner		1,847,310.06		25,564.59	25,564.59
C Special item for investment grants		88,846,163.52		1,229,526.00	1,328,108.00
D Provisions & Accruals					
1. Accruals for pensions and similar obligations	0.00		0.00		0.00
2. Tax accruals	324,377.38		4,489.00		119,500.00
3. Other accruals	75,327,846.22		1,042,448.45		1,723,188.38
		75,652,223.60		1,046,937.45	1,842,688.38
E Liabilities					
1. Liabilities to banks - of which up to one year: Rs. 99,524,773.24 EUR 1,377,305.35 (12/31/2011: EUR 3,530,261.59)	275,482,437.85		3,812,351.67		5,980,076.15
2. Trade payables - of which up to one year: Rs. 211,981,977.10 EUR 2,933,580.27 (12/31/2011: EUR 5,047,854.37)	211,981,977.10		2,933,580.27		5,047,854.37
3. Payables to affiliated companies - of which up to one year: Rs. 8,190,976.97 EUR 113,353.45 (12/31/2011: EUR 0.00)	8,190,976.97		113,353.45		0.00
4 Liabilities to limited partner - of which up to one year: Rs. 40,330,659.65 EUR 558,128.71 (12/31/2011: EUR 2,618,188.10)	112,591,159.65		1,558,128.71		5,583,579.16
5 Other liabilities - of which taxes: Rs. 28,716,440.48 EUR 397,401.63 (12/31/2011: EUR 103,472.97) - of which related to social security: Rs. 140,848.72 EUR 1,949.18 (12/31/2011: EUR 5,624.55) - of which upto one year: Rs. 47,868,278.14 EUR 662,440.45 (12/31/2011: EUR 294,326.44)	63,028,038.22		872,233.63		434,153.56
		671,274,589.79		9,289,647.73	17,045,663.24
Total		**1,765,095,905.21**		**24,426,843.23**	**26,088,601.31**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2012

A. GENERAL NOTES ON THE FINANCIAL STATEMENTS

The financial statements for the financial year from 01.01. to 31.12.2012 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 31.12.2012 shown on page 5 of the notes.

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

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

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

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

The financial assets were assessed at acquisition costs.

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

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

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

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

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

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

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

The pension provision has been set off against the coverage capital of the reinsurance at the amount of EUR 89,588. Similarly, expenses and income have been set off in the financial result at the amount of EUR 3,217.

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

The liabilities are assessed at their repayment amounts.

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

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

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

Bharat Forge Aluminiumtechnik GmbH & Co. KG

Assets analysis as at 31st December, 2012

		Historical acquisition or manufacturing	Additions	Disposals	Reclassification	Accumulated Depreciation	Book value 31/12/2012	Book value 31/12/2011	Depreciation for the financial year 2012
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**								
	1 Concessions, trade mark rights and similar rights and values, licenses	1,806,208.97	32,327.50	-	-	1,790,165.47	48,371.00	108,279.00	92,235.50
	2 Prepayments	-	-	-	-	-	-	-	-
		1,806,208.97	32,327.50	-	-	1,790,165.47	48,371.00	108,279.00	92,235.50
II.	**Tangible assets**								
	1. Land, land rights and Buildings, including buildings on third party land	3,408,416.49	186,515.71	-	3,449.00	752,337.36	2,846,043.84	2,881,114.84	225,035.71
	2. Technical equipment and machinery	26,137,583.91	907,508.40	-	395,024.73	19,268,860.04	8,171,257.00	8,099,508.00	1,230,784.13
	3. Other plant, factory and office equipment	3,067,797.19	461,067.23	72,372.56	-	2,509,209.86	947,282.00	778,116.00	295,472.61
	4. Prepayments on tangible assets and construction in progress	419,673.73	28,223.97	-	(398,473.73)	-	49,423.97	419,673.73	-
		33,033,471.32	1,583,315.31	72,372.56	-	22,530,407.26	12,014,006.81	12,178,412.57	1,751,292.45
III.	**Financial Assets**								
	1. Shares in affiliated companies	25,564.59	-	-	-	-	25,564.59	25,564.59	-
		25,564.59	-	-	-	-	25,564.59	25,564.59	-
		34,865,244.88	**1,615,642.81**	**72,372.56**	**-**	**24,320,572.73**	**12,087,942.40**	**12,312,256.16**	**1,843,527.95**

The item "Other assets" includes accruals that do not legally exist until after the balance sheet date, investment subsidy claims at the amount of 111 T€ and claims for electricity tax refunds at the amount of 234 T€.

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

The principal other provisions and accruals for outstanding invoices (240 TEUR), guarantees (164 TEUR), management and staff bonus (203 TEUR) and anniversary bonus (160 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	1,377,305.35	2,341,296.32	93,750.00	3,812,351.67
Trade liabilities	2,933,580.27	0.00	0.00	2,933,580.27
Liabilities to affiliated companies	113,313.45	0.00	0.00	113,313.45
Liabilities to shareholders	558,128.71	1,000,000.00	0.00	1,558,128,71
Other liabilities	662,440.45	209,793.18	0.00	872,233.63
	5,644,768.23	3,551,089,50	93,750.00	9,289,607.73

The trade liabilities are secured by the usual retentions of title, and the liabilities to banks by the assignment of security. Furthermore, a subordination and non-call agreement has been concluded with the banks regarding the shareholder loan. In 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 -7 of the tax expenses is attributable to the extraordinary result (compensation payment in connection with nonacceptance of raw material).

D. OTHER NOTES

In the financial year 2012 the company employed on average 148 staff, including 117 trade staff plus 4 apprentices.

Operating lease liabilities until the end of the respective term amounted to 301 TEUR. The annual value of rent liabilities amounted to 205 TEUR.

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

Dr. Peter Hopp, Waldböckelheim, Engineer.

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

The personally liable shareholder is Bharat Forge Aluminiumtechnik Verwaltungs GmbH with its registered office in Brand-Erbisdorf. Bharat Forge Aluminiumtechnik GmbH & Co. KG holds all shares in this company. The subscribed capital of Bharat Forge Aluminiumtechnik Verwaltungs GmbH amounts to EUR 25,564.59, the equity capital EUR 69,483.41 and the profit EUR 2,771.86.

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

Brand-Erbisdorf, 30th April 2013

....
Dr. Peter Hopp
Managing Director

Bharat Forge Aluminiumtechnik Verwaltungs GmbH, Brand-Erbisdorf

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

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of the company Bharat Forge Aluminiumtechnik Verwaltungs GmbH for the business year from January 1st to December 31st, 2012. 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, May 15th, 2012

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

Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG
Balance Sheet as at December 31, 2012

ASSETS			As at 31/12/2011
	Rs.	**EUR**	EUR
A. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	**5,190,273.72**	**71,827.26**	66,574.44
2. Other assets	**(0.01)**	**0.00**	170.89
Total	**5,190,273.71**	**71,827.26**	66,745.33

EQUITY AND LIABILITIES					As at 31/12/2011
	Rs.	**Rs.**	**EUR**	**EUR**	EUR
A. Equity					
1. Share Capital	**1,847,310.04**		**25,564.59**		25,564.59
2. Profit brought forward	**2,973,299.90**		**41,146.96**		37,097.93
3. Net income for the year	**309,132.59**		**4,278.03**		4,049.03
		5,129,742.53		**70,989.58**	66,711.55
B. Accruals		**60,531.18**		**837.68**	33.78
Total		**5,190,273.71**		**71,827.26**	66,745.33

Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. KG
Profit and Loss Account for the period from January 1 to December 31 2012

	Rs.	EUR	Previous year EUR
1. Other operating income	**10,839.08**	**150.00**	160.00
2. Other operating expenses	**(10,839.08)**	**(150.00)**	(160.00)
3. Investment income	**240,988.77**	**3,335.00**	3,133.00
4. Other interest and similar income	**126,157.44**	**1,745.87**	1,675.64
5. Results from ordinary business operations	**367,146.21**	**5,080.87**	4,808.64
6. Taxes on income and profits	**(58,013.62)**	**(802.84)**	(759.61)
7. Net income for the year	**309,132.59**	**4,278.03**	4,049.03

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

The accounts receivable against affiliated companies relates with EUR 71.827,26 to the shareholder Bharat Forge Aluminiumtechnik GmbH & Co. KG, Brand-Erbisdorf.

Appointed as managing director of the company in 2012 was:

Dr.-Ing. Peter Hopp, Waldbockelheim.

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

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

Brand-Erbisdorf, 30th April 2013

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Dr. Ing. Peter Hopp
Managing Director

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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, 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Hagen, April 30th, 2013

W U P Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

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

Bharat Forge Daun GmbH

Profit and Loss Account for the period from January 1 st to December 31st, 2012

	Rs.	Rs.	EUR	EUR	Previous Year EUR
1. Sales		782,234,576.32		10,825,202.93	10,524,003.70
2. Decrease in finished good inventories and work-in-process		(3,101,025.40)		(42,914.53)	161,074.85
3. Production for own plant and equipment capitalised		214,974.99		2,975.00	4,825.50
		779,348,525.91		10,785,263.40	10,689,904.05
4. Other operating income		9,003,235.58		124,594.15	123,124.90
		788,351,761.49		10,909,857.55	10,813,028.95
5. Cost of materials					
a) Cost of raw materials, consumables, supplies and purchased merchandise	199,177,876.08		2,756,386.63		3,049,281.54
b) Cost of purchased services	69,812,164.68		966,117.93		925,989.47
		268,990,040.76		3,722,504.56	3,975,271.01
		519,361,720.73		7,187,352.99	6,837,757.94
6. Personnel expenses					
a) Wages and saleries	263,667,744.21		3,648,850.26		3,310,978.57
b) Social security contributions and pension expenses thereof Rs. 1,226,474.58 EUR 16,972.96 (2011: EUR 13,233.85) for pension expenses	51,932,311.99		718,681.88		757,324.42
		315,600,056.20		4,367,532.14	4,068,302.99
		203,761,664.53		2,819,820.85	2,769,454.95
7. Depreciation and amortization on intangible fixed assets and tangible assets		(32,639,246.25)		(451,688.63)	(395,070.37)
8. Other operating expenses		(76,105,604.77)		(1,053,211.71)	(805,766.62)
		95,016,813.51		1,314,920.51	1,568,617.96
9. Income from other investments and long term loans of which EUR 0,00 (2011: EUR 0,00) relating to affiliated companies		80,265.52		1,110.78	191.73
10. Other interest and similar income	0.00		0.00		0.00
11. Depreciation on financial assets	88,266.92		1,221.51		0.00
12. Interest and similar expenses thereof Rs. 1,579,108.71 EUR 21,853.00 (2011: EUR 25,947.00) from discounting of provisions	1,579,860.22		21,863.40		33,623.85
		1,668,127.14		23,084.91	33,623.85
13. Results from ordinary business operations		**93,428,951.89**		**1,292,946.38**	**1,535,185.84**
14. Extraordinary Income	-		-		0.00
15. Extraordinary Expenses	392,519.04		5,432.00		5,432.00
16. Extraordinary Result		(392,519.04)		(5,432.00)	(5,432.00)
17. Taxes on income	-		-		0.00
18. Other taxes	1,094,081.78		15,140.80		14,392.20
		1,094,081.78		15,140.80	14,392.20
19. Income from profit & loss transfer agreement		0.00		0.00	**0.00**
20. Expenses out of profit & loss transfer agreement		**91,942,351.07**		**(1,272,373.58)**	**(1,515,361.64)**
21. Net Income for the year		**0.00**		**0.00**	**0.00**

Bharat Forge Daun GmbH

Balance Sheet as at December 31st, 2012

ASSETS	Rs.		EUR		As at 31/12/2011 EUR
A. Fixed Assets					
I. Intangible assets					
Trademarks, patents, licenses, and similar rigths and licenses to such rights		850,506.09		11,770.00	19,226.00
II. Tangible assets					
1. Land, land rights and buildings including buildings on third party land	86,002,134.76		1,190,168.00		1,256,079.00
2. Technical equipment and machinery	76,504,214.64		1,058,728.00		524,008.00
3. Other plant, factory and office equipment	21,272,262.77		294,383.00		336,245.00
4. Prepayments on tangible assets and construction in progress	193,571.43		2,678.80		251,904.43
		183,972,183.60		2,545,957.80	2,368,236.43
		184,822,689.69		2,557,727.80	2,387,462.43
B. Current assets					
I. Inventories					
1. Raw materials, supplies and operating materials	51,562,003.66		713,557.25		704,333.12
2. Work in progress	27,693,508.56		383,245.46		427,130.61
3. Finished goods and merchandise	573,884.94		7,941.89		6,971.27
		79,829,397.16		1,104,744.60	1,138,435.00
II. Accounts receivable and other assets					
1. Trade receivables - of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year	5,810,736.34		80,413.73		75,956.10
2. Receivables from affiliated companies - of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year - of which Rs. 92,055,727.08 EUR 1,273,942.57 (12/31/2011: EUR 1,730,266.26) to shareholders of which Rs. 52,701,939.79 EUR 729,332.62 (12/31/2011: EUR 900,136.15) trade receivables	95,737,648.85		1,324,896.02		1,753,607.26
3 Other assets - of which EUR 0.00 (12/31/2011: EUR 0.00) due after one year	3,278,954.59		45,376.86		80,932.45
		104,827,339.78		1,450,686.61	1,910,495.81
		369,479,426.63		5,113,159.01	3,048,930.81
III. Accounts receivable and other assets		(0.01)		0.00	1,682.46
C. Prepaid expenses		22,960.05		317.74	43,447.44
		369,502,386.67		**5,113,476.75**	**5,481,523.14**

Bharat Forge Daun GmbH

Balance Sheet as at December 31st, 2012

EQUITY AND LIABILITIES	Rs.		EUR		*As at 31/12/2011* EUR
A. Equity					
I. Share Capital		3,613,025.00		50,000.00	50,000.00
II. Capital reserves		108,390,750.00		1,500,000.00	1,500,000.00
III. Profit/loss brought forward		147,213,507.88		2,037,261.13	2,037,261.13
IV. Net income for the year		-		-	-
		259,217,282.88		3,587,261.13	3,587,261.13
B. Accruals					
1. Accruals for pensions and similar obligations	19,294,637.41		267,015.00		236,660.00
2. Tax accruals	2,059,424.25		28,500.00		28,500.00
3. Other accruals	49,543,855.33		685,628.46		732,747.53
		70,897,916.99		981,143.46	997,907.53
C. Liabilities					
1. Liabilities to banks	81,230.20		1,124.13		14.61
- up to one year: Rs. 81,230.20 EUR 1,124.13 (12/31/2011: EUR 14.61)					
2. Customer Advances	0.00		0.00		194,700.00
- up to one year: EUR 0.00 (12/31/2011: EUR 194,700.00)					
3. Trade payables	33,542,811.05		464,192.90		635,877.24
- up to one year: Rs. 33,542,811.05 EUR 464,192.90 (12/31/2011: EUR 635,877.24)					
4. Payables to affiliated companies	3,009,310.20		41,645.30		36,019.79
- up to one year: Rs. 3,009,310.20 EUR 41,645.30 (12/31/2011: EUR 36,019.79)					
5. Other liabilities	2,753,835.35		38,109.83		29,742.84
- up to one year: Rs. 2,753,835.35 EUR 38,109.83 (12/31/2011: EUR 29,663.08)					
- of which Rs. 2,717,072.84 EUR 37,601.08 (12/31/2011: EUR 29,284.08) relating to taxes					
- of which EUR 0.00 (12/31/2011: EUR 0.00) relating to social security					
		39,387,186.80		545,072.16	896,354.48
		369,502,386.67		**5,113,476.75**	**5,481,523.14**

Notes for the fiscal Year 2012 of

Bharat Forge Daun GmbH, Daun

General notes relating to annual accounts

The annual accounts for the fiscal year 2012 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). In conjunction with the first-time application of the statutory accounting and valuation provisions on the basis of the Bilanzrechtsmodernisierungsgesetz („Accounting Law Modernisation Act) no adjustment of the of the figures for the previous year was performed.

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 adjustment.

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

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

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

- Technical rate of interest:	5.06 % 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 65.

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

Payables are shown at their repayment values.

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

Notes relating to balance sheet

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

Bharat Forge Daun GmbH, Daun

Assets analysis as at 31st December, 2012

	Historical acquisition or manufacturing costs					Depreciation				Book value	Book value
	1/1/2012	Additions	Disposals	Reclassification	12/31/2012	1/1/2012	Additions	Disposals	12/31/2012	12/31/2012	12/31/2011
	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	-	-	-	74,576.44	55,350.44	7,456.00	-	62,806.44	11,770.00	19,226.00
	74,576.44	-	-	-	74,576.44	55,350.44	7,456.00	-	62,806.44	11,770.00	19,226.00
II. Tangible assets											
1. Land, land rights and Buildings, including buildings on third party land	1,683,562.75	-	-		1,683,562.75	427,483.75	65,911.00	-	493,394.75	1,190,168.00	1,256,079.00
2. Technical equipment and machinery	2,694,199.46	590,372.17	707.39	183,434.79	3,467,299.03	2,170,191.46	239,086.96	707.39	2,408,571.03	1,058,728.00	524,008.00
3. Other plant, factory and office equipment	1,126,690.20	28,903.03	27,617.82	68,469.64	1,196,445.05	790,445.20	139,234.67	27,617.82	902,062.05	294,383.00	336,245.00
4. Payments in Advance & construction in progress	251,904.43	2,678.80	-	(251,904.43)	2,678.80	-	-	-	-	2,678.80	251,904.43
	5,756,356.84	621,954.00	28,325.21	-	6,349,985.63	3,388,120.41	444,232.63	28,325.21	3,804,027.83	2,545,957.80	2,368,236.43
Total	**5,830,933.28**	**621,954.00**	**28,325.21**	**-**	**6,424,562.07**	**3,443,470.85**	**451,688.63**	**28,325.21**	**3,866,834.27**	**2,557,727.80**	**2,387,462.43**

Of the **other provisions** the main ones are in conjunction with personnel for the ERA structure component (TEUR 341), flexitime credits (TEUR 62) and anniversary bonuses (TEUR 62).

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 41.

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

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

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

Other financial payables consist of rental payments of TEUR 28 p.a. in respect of rent contracts and obligations under leasing agreements totalling TEUR 26, of which TEUR 13 will fall due within 2013.

Notes relating to profit & loss account

The geographical breakdown of the turnover is as follows:

Turnover distribution by region	**2012**	**2011**
Germany	**10,136**	**10,512**
Other countries	**689**	**12**
Thereof in Europe	688	12
Thereof in rest of the world	1	0
TOTAL	**10,825**	**10,524**

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	58
Salaried employees	18
Trainees	13
Total number of employees	**89**

Directors of Bharat Forge Daun GmbH in 2012:

- Martin von Werne, Ennepetal

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

In 2012 the advisory board of the company consisted of the following members:

- Mr. Baba N. Kalyani,
- Mr. Prakash C. Bhalerao (until 23 February 2012),
- Mr. Gopal K. Agarwal,
- Mr. Amit B. Kalyani,
- Mr. Praveen K. Maheshwari (until 23 February 2012),
- Prof. Dr. Uwe Loos
- Dr. Hans-Peter Coenen
- Mr. Eckard Rudau
- Mr. Sanjeev Joglekar (since 24 February 2012).

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, 22.02.2013

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, Mühlheim a. M., for the business year from January 1st to December 31st, 2012. 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, 2013

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

BF New Technologies GmbH, Muhlheim a.M.
Balance Sheet as at December 31, 2012

ASSETS

	Rs.	Rs.	EUR	EUR	As at 31/12/2011 EUR
A. Fixed Assets					
I. Intangible assets					
Concessions, trade mark rights and similar rights and values,licenses	**0.00**		**0.00**		625,180.00
II. Tangible assets					
Other plant, factory and office equipment	**3,132,781.72**		**43,354.00**		75,332.00
		3,132,781.72		**43,354.00**	700,512.00
B. Current assets					
I. Accounts receivable and other assets					
1. Receivable from Affiliated companies	**125,909,170.12**		**1,742,434.25**		1,235,470.96
- of which EUR 0.00 (31/12/2011: EUR 0.00) due after one year					
2. Other assets	**715,378.95**		**9,900.00**		9,900.00
- of which Rs. 715,378.95 EUR 9,900.00 (31/12/2011: EUR 9,900.00) due after one year					
	126,624,549.07		**1,752,334.25**		1,245,370.96
II. Cash on hands, bank balances	**1,529.75**		**21.17**		102.75
		126,626,078.82		**1,752,355.42**	1,245,473.71
Total		**129,758,860.54**		**1,795,709.42**	1,945,985.71

EQUITY AND LIABILITIES

	Rs.	Rs.	EUR	EUR	As at 31/12/2011 EUR
A. Equity					
I. Share Capital	**1,806,512.50**		**25,000.00**		25,000.00
II. Capital reserves	**112,003,775.00**		**1,550,000.00**		1,550,000.00
IV. Net income for the year	-		-		-
		113,810,287.50		**1,575,000.00**	1,575,000.00
B. Accruals					
Other accruals		**6,194,345.65**		**85,722.43**	211,000.00
B. Liabilities					
1. Trade Payables	**2,792,586.51**		**38,646.10**		79,664.07
-up to one year: Rs. 2,792,586.51 EUR 38,646.10 (07/12/2011: EUR 79,664.07)					
2. Payables to affiliated companies	**6,413,119.38**		**88,750.00**		73,341.00
-up to one year: Rs. 6,413,119.38 EUR 88,750.00 (07/12/2011: EUR 73,341.00)					
3. Other liabilities	**548,521.50**		**7,590.89**		6,980.64
-up to one year: Rs. 548,521.50 EUR 7,590.89 (07/12/2011: EUR 6,980.64)					
		9,754,227.39		**134,986.99**	159,985.71
Total		**129,758,860.54**		**1,795,709.42**	1,945,985.71

BF New Technologies GmbH, Muhlheim a.M.

Profit and Loss Account for the period from January 1 to December 31 2012

						Previous Year
		Rs.	Rs.	EUR	EUR	EUR
1.	Other operating income		**2,626,263.79**		**36,344.39**	114.01
2.	Cost of materials					
	a) Cost of raw materials, consumables, supplies and purchased merchandise	**6,136,323.36**		**84,919.47**		642,671.64
	b) Cost of purchased services	**9,153,725.29**		**126,676.75**		231,948.74
			(15,290,048.65)		**(211,596.22)**	(874,620.38)
3.	Personnel expenses					
	a) Wages and salaries	**22,485,247.76**		**311,169.28**		303,637.36
	b) Social security contributions and pension expenses thereof EUR 0.00 (2011: EUR 0.00)	**2,696,545.80**		**37,317.01**		36,975.16
			(25,181,793.56)		**(348,486.29)**	(340,612.52)
4	Depreciation and amortization on intangible fixed assets and tangible assets		**(47,486,565.66)**		**(657,158.00)**	(668,562.00)
5.	Other operating expenses		**(42,706,650.65)**		**(591,009.62)**	(876,322.57)
	Results from ordinary business operations		**(128,038,794.73)**		**(1,771,905.74)**	(2,760,003.46)
						-
6.	Other taxes		**(64,311.84)**		**(890.00)**	(798.00)
7.	Income from transfer of losses		**128,103,106.57**		**1,772,795.74**	2,760,801.46
8.	**Net income for the year**		**0.00**		**0.00**	0.00

Appendix for the financial year 2012 of

BF New Technologies GmbH, Mühlheim a. M.

General information about the statement of accounts

The statement of accounts for the financial year 2012 was prepared in accordance with §§ 242 – 256a and §§ 264 – 288 of the German Commercial Code (HGB).

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

Balance sheet and valuation principles

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

Current assets are valued at cost price.

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

Liabilities have been stated at the amounts repayable.

Information on the balance sheet

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

The contents and the 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, 2012

	Historical acquisition or manufacturing costs					Historical acquisition or manufacturing costs					Book value	Book value
	1/1/2012	Additions	Disposals	Transfers	12/31/2012	1/1/2012	Additions	Disposals	Transfers	12/31/2012	12/31/2012	12/31/2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed Assets												
I. Intangible assets												
1. Concessions, trade mark rights and similar rights and values, licenses	3,161,978.47	-	-	-	3,161,978.47	2,536,798.47	625,180.00	-	-	3,161,978.47	0.00	625,180.00
II. Tangible assets												
Other plant, factory and office equipment	200,445.13	-	-	-	200,445.13	125,113.13	31,978.00	-	-	157,091.13	43,354.00	75,332.00
Total	3,362,423.60	-	-	-	3,362,423.60	2,661,911.60	657,158.00	-	-	3,319,069.60	43,354.00	700,512.00

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

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

Information on the profit and loss statement

With the parent company CDP Bharat Forge GmbH it is concluded a profit and loss transfer agreement. For the financial year 2012 CDP Bharat Forge GmbH has taken over a loss amounting to kEUR 1,773.

Other information

Managing directors during the financial year 2012 have been

Martin von Werne, engineer, Ennepetal,

Hartmut Hast, businessman, Eppertshausen.

Members of the advisory board have been

Prof. Dr. Uwe Loos,

Mr. Martin von Werne,

Mr. Bernd Pierburg and

Mr. Alan Spencer.

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

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

Mühlheim a. M., March 19th, 2013

BF New Technologies GmbH

Martin von Werne   Hartmut Hast

Managing Directors

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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, 2012. 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, 2013

(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 2012

	Rs.	EUR	*Previous Year* EUR
1. Other operating income	1,001,451.04	13,858.90	-
2. Depreciation on intangible assets	0.00	0.00	(308.40)
3. Other operating expenses	(1,128,535.58)	(15,617.60)	(190,534.53)
	(127,084.54)	(1,758.70)	(190,842.93)
4. Other interest and similar income - thereof Rs. 137,484.99 EUR 1,902.63 (2011: EUR 0.00) to affiliated companies	137,485.00	1,902.63	-
5. Depreciation on financial fixed assets	(613,884,966.13)	(8,495,443.10)	-
6. Interest and similar expenses - thereof EUR 0.00 (2011: EUR 0.00) to affiliated companies	0.00	0.00	(465.00)
6. Results from ordinary business operations	**(613,874,565.67)**	**(8,495,299.17)**	**(191,307.93)**
9. Taxes on Income	0.00	0.00	(1,555.87)
11. Net income (loss) for the year	**(613,874,565.67)**	**(8,495,299.17)**	**(192,863.80)**

Bharat Forge Beteiligungs GmbH

Balance Sheet as at December 31st, 2012

A S S E T S	**Rs.**	**EUR**	***As at 31/12/2011*** **EUR**
A. Assets			
I. Intangible assets			
Software	72.26	1.00	1.00
Financial assets			
1. Shares in affiliated companies	3,481,799,240.47	48,183,990.43	56,679,433.53
2. Shares in associated companies	10,726,095.71	148,436.50	148,436.50
B. Current assets			
I. Accounts receivable and other assets			
1. Receivables from affiliated companies of which EUR 0.00 (12/31/2010: EUR 0.00) is due after one year	37,961,383.10	525,340.72	589,876.32
2. Other assets of which EUR 0.00 (12/31/2010: EUR 0.00) is due after one year	4,745,834.79	65,676.75	18,613.22
II. Cash on hands, bank balances	-	-	-
	3,535,232,626.33	**48,923,445.40**	**57,436,360.57**

Balance Sheet as at December 31st, 2012

EQUITY AND LIABILITIES	Rs.	Rs.	EUR	EUR	*As at 31/12/2011* EUR
A. Equity					
I. Share Capital	1,806,512.50		25,000.00		25,000.00
II. Capital reserves	4,172,790,414.79		57,746,492.41		57,746,492.41
III. Loss carried forward	(38,317,491.51)		(530,268.84)		(337,405.04)
IV. Net loss (income) for the year	(613,874,565.67)		(8,495,299.17)		(192,863.80)
		3,522,404,870.11		48,745,924.40	57,241,223.57
B. Accruals					
1. Tax provisions	0.00		0.00		0.00
2. Other provisions	722,605.00	722,605.00	10,000.00	10,000.00	27,616.00
					27,616.00
C. Liabilities					
1. Payables to affiliated companies up to one year: Rs. 167.64 EUR 2.32 (12/31/2011: EUR 0.00)	167.64		2.32		2.32
2. Other liabilities - up to one year: Rs. 12,104,983.58 EUR 167,518.68 (12/31/2011: EUR 167,518.32) - of which EUR 0.00 (12/31/2011: EUR 0.00) taxes - of which EUR 0.00 (12/31/2011: EUR 0.00) relating to social security	12,104,983.58		167,518.68		167,518.68
		12,105,151.22		167,521.00	167,521.00
		3,535,232,626.33		**48,923,445.40**	**57,436,360.57**

Appendix for the financial year 2012 of

Bharat Forge Beteiligungs GmbH, Ennepetal

General information about the statement of accounts

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

The statement of accounts for the financial year 2012 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 8.495 has put on shares in Bharat Forge Hong Kong Ltd. due to unfavourable expectations for future results.

The **accounts receivable against affiliated companies** amounted to TEUR 411 (previous year: TEUR 427) to shareholder.

Other information

Shares in affiliated companies

The company held shares of the following companies:

	Share Corpus/ fixed capital	Equity December 31, 2012	Profit 2012
Bharat Forge Kilsta AB			
Karlskoga/Schweden	100%	30,142 kSEK	- 25,272 kSEK
Bharat Forge Hong Kong Ltd.			
Hong Kong/China	100%	31,614 kUSD	- 8,798 kUSD
Tecnica UK Limited			
Great Britain *)	33%	50 kGBP	+ 77 kGB
Bharat Forge International Ltd.			

*) preliminary/unaudited

Consolidated financial accounts

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

Managing Directors

Appointed as Managing Directors:

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

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

Ennepetal, April 29th, 2013

Bharat Forge Beteiligungs GmbH

Dr Arndt Laßmann	Michael Kasperski
Managing Director	Managing Director

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Bharat Forge Kilsta AB

Chairman	Registered Office	Auditors
Mr. B. N. Kalyani	Box 428 691 27 Karlskoga	KPMG Bohlnis AB
	Sweden	Kungsvagen 35, 691 35 Karlsloga
	Germany	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. G. Andersson
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 2012.

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 2012 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 2012.

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 23 May 2013

KPMG AB

Magnus Gustafsson
Authorized Public
Accountant

Note: Unless otherwise stated, all amounts are reported in TSEK. Information in brackets refers to the previous year.

Administration report

General information on the Company and the business

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

Order intake in the beginning of 2012 was significantly lower than what the company had budgeted.

At the end of February 2012, the Company therefore gave notice to 25 employees due to redundancy, but all the layoffs could be solved through retirements and attrition.

In the spring of 2012, the Company launched a cost reduction program, which for instance included insourcing of repair and maintenance.

During the first three quarters of 2012, inventory of steel, work in progress and finished goods decreased heavily.

In March 2012, purchases of beams from the parent company in India ceased, and the production was insourced. Purchases of beams from India had begun in connection to the problems of the 16000 tonnes press in 2011.

In September 2012, the Company's new strategy was adopted at a meeting in Pune, India. The strategy involves short-term focus on profitability and long-term focus on profitable growth. Growth will mainly be achieved by a better capacity utilization of the company's small presses.

The strengthening of economic activity, which the company expected in the second half of 2012, did not materialize. Actually delivered volumes were usually much lower than what the company's customers had announced in their forecasts.

A further notice due to redundancy of 25 employees was therefore announced in October 2012. In the end, however, only a few employees had to leave the company because staff reductions could this time also be solved through retirements and attrition.

The last quarter, inventory of work in progress and finished goods was deliberately increased as a preparation for the coming change of bed in 16000 tonnes press in summer of 2013.

Investments totaled 27 070 TSEK (45 556 TSEK). The investments were mainly made to replace production equipment.

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 zero.

Since Sep 21, 2005, the company is a wholly owned subsidiary of Bharat Forge Beteiligungs GmbH (Germany), which is an indirectly, wholly owned, subsidiary of Bharat Forge Limited (India).

Significant events after the end of the financial year

In January 2013, the company signed an agreement of flexible working hours with the unions. The agreement covers the first half of 2013.

During spring 2013, the prosecutor defined the amount he will require as a company fine in connection to the lethal accident of April 2011. The company fine was defined to 1 MSEK, and the amount has been booked in financial year 2012. Final judgment will be given later 2013.

On April 1, 2013, Michael Sjöberg was appointed as Managing Director of the company.

The liquidation of subsidiary Bharat Forge Scottisch Stampings Ltd, which was initiated in 2012, will most probably be finalized in 2013.

During June and July 2013, the company will replace the bed situated under the 16000 tonnes press.

Comparative figures covering several years

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

	2012	2011	2010	2009	2008
Net sales, TSEK	806 014	946 677	793 009	397 821	1 038 526
Income after financial items, TSEK	-21 722	-61 288	-45 456	-128 148	-45 186
Balance sheet total, TSEK	434 356	547 046	496 755	496 271	643 586
Number of employees,	337	351	291	272	389
Equity/assets ratio, %	6,9	10,1	21,1	28,6	33,9
Return on total assets, %	Neg	Neg	Neg	Neg	6,3
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 of 2013

During the beginning of 2013, delivery volumes have been higher than budget. The tendency to increased sales volumes have been further strengthened in the late spring.

Research and development work

The research and development activities of the Company amounted 0,03 % (0,24 %) of the total operating expenses during the financial year.

Proposed appropriation of profits

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

Unappropriated profit brought forward	31 414 166,25
Net loss for the year	-25 271 640,88
	6 142 525,37

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

Retained earnings carried forward	6 142 525,37

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, 2012

	Note	31/12/2012		31/12/2011
		Rs.'000	SEK'000	SEK'000
Assets				
Intangible Fixed assets				
Other intangible Fixed assets	7	145,854	17,310	25,965
Fixed assets				
Land and buildings	6	137,243	16,288	16,907
Plant and machinery	9	854,152	101,371	107,401
Equipment, tools, fixtures & fittings	8	95,475	11,331	12,061
Construction in progress	10	139,720	16,582	16,857
		1,226,590	145,572	153,226
Financial assets				
Participation in Subsidiaries	17	-	-	-
Deferred tax recoverables	18	139,029	16,500	20,000
		139,029	16,500	20,000
Total fixed assets		**1,511,473**	**179,382**	**199,191**
Current assets				
Inventories				
Raw materials and consumables		526,515	62,487	89,072
Work in progress		465,823	55,284	67,441
Finished goods and goods for resale		135,381	16,067	15,715
		1,127,719	133,838	172,228
Current receivables				
Accounts receivables - Trade		620,516	73,643	119,999
Other receivables		4,137	491	932
Income tax receivable		7,954	944	1,759
Prepaid expenses and accrued income		48,787	5,790	7,097
		681,394	80,868	129,787
Cash and bank balances		339,298	40,268	43,929
Total current assets		2,148,411	254,974	345,944
Total assets		**3,659,884**	**434,356**	**545,135**

Bharat Forge Kilsta AB

Balance Sheet as at December 31, 2012

	Note	31/12/2012		31/12/2011
		Rs.'000	SEK'000	SEK'000
Equity and liabilities				
Equity	19			
Restricted equity				
Share capital (200 000 shares)		168,520	20,000	20,000
Statutory reserve		33,704	4,000	4,000
		202,224	24,000	24,000
Unrestricted equity				
Profit brought forward		264,694	31,414	61,555
Net income of the year		(212,942)	(25,272)	(30,141)
		51,752	6,142	31,414
Total equity		253,976	30,142	55,414
Provisions				
Provisions for pensions		97,059	11,519	11,817
Guarantee reserve		19,380	2,300	3,000
Total provisions		116,439	13,819	14,817
Long-term liabilities	20,21			
Liabilities to Group companies		221,739	26,316	-
Liabilities to Credit Institutions		1,157,387	137,359	161,203
Total long-term liabilities		1,379,126	163,675	161,203
Current liabilities				
Liabilities to credit institutions		144,590	17,160	17,217
Accounts payable - trade		1,092,094	129,610	119,012
Liabilities to group companies		238,287	28,280	113,940
Other liabilities		48,433	5,748	4,589
Accrued expenses and deferred income	22	386,939	45,922	58,943
Total current liabilities		1,910,343	226,720	313,701
Total equity and liabilities		**3,659,884**	**434,356**	**545,135**

	Note	31/12/2012		31/12/2011
		Rs.'000	SEK'000	SEK'000
Assets pledged	21	1,754,293	208,200	208,200
Contingent liabilities	23	1,938	230	21,588

Bharat Forge Kilsta AB

Income statement for the period from January 1 to December 31, 2012

	Note	2012		Previous Year
		Rs.'000	SEK'000	SEK'000
	1			
Operating income etc.				
Net sales	2	6,791,474	806,014	946,677
Change in inventories of work in progress, finished goods		(234,875)	(27,875)	(66,638)
Other operating income	3	4,735	562	678
Operating income etc.		6,561,334	778,701	880,717
Operating expenses				
Raw materials and consumables		(3,485,187)	(413,623)	(490,880)
Other external costs	4	(1,193,888)	(141,691)	(178,069)
Personnel costs	5	(1,582,639)	(187,828)	(206,823)
Depreciation of tangible assets	6, 7, 8, 9, 10	(365,520)	(43,380)	(36,774)
Other operating expenses	11	(13,170)	(1,563)	(3,780)
Operating expenses		(6,640,404)	(788,085)	(916,326)
Operating income		**(79,070)**	**(9,384)**	**(35,609)**
Result from financial items				
Interest items and similar items	12	96,528	11,456	6,079
Depreciation of financial fixed assets	13	(112,032)	(13,296)	(17,578)
Interest expenses and similar items	14	(88,877)	(10,548)	(14,180)
Loss from financial items		(104,381)	(12,388)	(25,679)
(Loss)/Income after financial items		(183,451)	(21,772)	(61,288)
Appropriations	15	-	-	26,447
Income taxes	16	(29,491)	(3,500)	4,700
Net (Loss)/Income for the year		**(212,942)**	**(25,272)**	**(30,141)**

Bharat Forge Kilsta AB
Cash flow statements

	2012		2011
	Rs.'000	**SEK'000**	**SEK'000**
Operating activities			
Income after financial items	(183,451)	(21,772)	(61,288)
Adjustments for items not requiring an outflow of cash:			
Exchange Rate difference	(62,605)	(7,430)	(1,180)
Depreciation of Financial assets	112,032	13,296	17,578
Depreciations	365,520	43,380	36,774
Change in Provisions	(8,409)	(998)	826
	223,087	26,476	(7,290)
Income tax paid	(6,867)	(815)	(98)
Cash flow from operating activities before changes in working capital	**229,954**	**27,291**	**(7,192)**
Increase(-) /decrease (+) in inventories	323,474	38,390	(32,990)
Increase(-) /decrease (+) in current receivables	405,324	48,104	(11,671)
Increase(+) /decrease (-) in current liabilities	(684,073)	(81,186)	116,445
Cash flow from operating activities	**274,679**	**32,599**	**64,592**
Investing activities			
Acquisition of tangible assets	(228,092)	(27,070)	(45,556)
Sale of Tangible Assets	-	-	403
Shareholders' contribution given	(112,032)	(13,296)	-
Cash flow from investing activities	(340,124)	(40,366)	(45,153)
Financing activities			
Loans taken	297,960	35,362	-
Proceeds/repayment of borrowings	(263,363)	(31,256)	(8,980)
Loan to subsidiary	-	-	21,894
Cash flow from financing activities	34,597	4,106	12,914
Net cash flow for the year	(30,848)	(3,661)	32,353
Cash and cash equivalents at beginning of year	370,146	43,929	11,576
Cash and cash equivalents at end of year	**339,298**	**40,268**	**43,929**

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 0,14 % (18,89%) 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

	2012	2011
Net sales classified according to operating area as follows:		
Chassis	502 481	571 775
Engines	280 423	351 875
Other	23 110	23 027
Total	806 014	946 677
Net sales classified according to geographic market as follows:		
Nordic countries	457 244	490 720
Europe, excluding the Nordic countries	333 212	446 737
North America	10 026	7 869
Other markets	5 532	1 351
Total	806 014	946 677

Note 3 Other operating income

	2012	2011
Included in other income, revenues from:		
Services/rent	177	
Other	385	678
Total	562	678

Note 4 Remuneration to auditors

	2012	2011
K P M G		
Audit engagement	188	178
Audit activities in addition to the audit engagement	46	30
Tax advice	-	2
Other services	20	8
Total	254	218

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

	2012	2011
Average number of employees, with women and males as allocation basis amounts to:		
Women	25	24
Men	312	327
Total for the Company	337	351
Wages and compensations amounts to		
Board of Directors and Managing Director	151	4 885
Other employees	129 676	136 147
Total salaries, remunerations and bonuses	129 827	141 032
Statutory and contractual social security contributions	41 331	47 844
Pension costs for Board of Directors and Managing Director	0	659
Pension costs	14 053	16 397
Total salaries, remuneration, social security contributions and pension costs	185 211	205 932

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

Men	8	8
Total for the Company	8	8

Number of Managing Directors and senior executives		
Women	2	-
Men	10	9
Total for the Company	20	17

Note 6 Land and buildings

	2012-12-31	2011-12-31
Opening acquisition cost	39 985	38 440
Changes during the year		
Redistribution from construction in progress	556	341
Purchases	741	1 204
Closing accumulated acquisition cost	41 282	39 985
Opening depreciation	-23 078	-21 622
Changes during the year		
Depreciation	-1 916	-1 456
Closing accumulated depreciation	-24 994	-23 078
Closing residual value according to plan	16 288	16 907

Note 7 Intangible fixed assets

	2012-12-31	2011-12-31
Opening acquisition cost	43 275	43 275
Closing accumulated acquisition cost	43 275	43 275
Opening depreciation	-17 310	-8 655
Depreciation	-8 655	-8 655
Closing accumulated depreciation	-25 965	-17 310
Closing residual value according to plan	17 310	25 965

Note 8 Equipment, tools, fixtures and fittings

	2012-12-31	2011-12-31
Opening acquisition cost	81 888	81 471
Changes during the year		
-Redistribution from construction in progress	1 074	423
-Purchases	114	1 092
-Disposed	-2 640	-1 099
Closing accumulated acquisition cost	80 436	81 887
-Opening depreciation	-69 826	-68 504
Changes during the year		
-Reclassification	-52	
-Depreciation	-1 867	-2 018
-Depreciation of disposals	2 640	696
Closing accumulated depreciation	-69 105	-69 826
Closing residual value according to plan	11 331	12 061

Note 9 Plant and machinery

	2012-12-31	2011-12-31
Opening acquisition cost	534 988	484 668
Changes during the year		
-Redistribution from construction in progress	2 717	37 321
-Purchases	22 142	12 999
Closing accumulated acquisition cost	559 847	534 988
Opening depreciation	-427 587	-402 942
Changes during the year		
-Depreciation	-30 941	-24 645
-Reclassification	52	-
Closing accumulated depreciation	-458 476	-427 587
Closing residual value according to plan	101 371	107 401

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

	2012-12-31	2011-12-31
Opening accrued expenses	16 856	24 681
Expenses accrued during the year	4 073	30 261
Fixed assets under construction completed this year	-4 347	-38 086
Closing expenses accrued	16 582	16 856

Note 11 Other operating expenses

	2012	2011
Realized/unrealized exchange loss	1 563	3 780
	1 563	3 780

Note 12 Other interest income and similar profit/loss items

	2012	2011
Other interest income	226	453
Exchange profit on loans and cash	11 230	5 625
Total	11 456	6 078

Note 13 Depreciation of financial fixed assets

	2012	2011
Write-down of shares in subsidiary	13 296	17 578
Total	13 296	17 578

Note 14 Interest expense and similar profit/loss items

	2012	2011
Interest expenses to group company	739	887
Interest expenses pensions	408	540
Other interest expenses	9 401	12 753
Total	10 548	14 180

Note 15 Appropriations

	2012	2011
Difference between recorded depreciation and depreciation according to plan	-	26 447
Total	0	26 447

Note 16 Tax on profit for the year

	2012	2011
Change in deferred tax	-3 500	4 700
Total	- 3 500	4 700

Note 17 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 2012 is 0 (0).

	2012-12-31	2011-12-31
Subsidiary´s reported results	-4 651	-17 136
Subsidiary´s equity	664	-8 133

Note 18 Deferred tax

The difference between the income tax stated in the income statement for this year and previous years on one hand on the other hand the income tax for the business results these years, is stated as deferred tax on loss for tax purposes by 16 500 TSEK (20 000 TSEK). Closed deferred tax is calculated at 22%, then the income tax rate was reduced from 26,3% to 22% from 2013.

Note 19 Change in equity

	2012-12-31	2011-12-31
Non-restricted equity		
Amount at beginning of year	31 414	61 555
Net income for the year	-25 272	-30 141
Amount at year-end	6 142	31 414

Note 20 Long-term liabilities

	2012-12-31	2011-12-31
Long-term liabilities, due after one year but within five years after closing day:		
Liabilites to group companies	26 316	-
Liabilities to credit institutions	137 359	161 203
Total	163 675	161 203

Note 21 Pledged assets

	2012-12-31	2011-12-31
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 22 Accrued expenses and deferred income

	2012-12-31	2011-12-31
Accrued salaries	1 983	3 649
Accrued holiday pay	13 859	14 294
Accured social security costs & pensions	11 257	13 898
Accured special employer´s contribution, tax on returns from pension funds and property tax	5 147	5 030
Accured customer provisions	904	5 663
Accured financial expenses	1 970	2 448
Ongoing claims	3 129	2 387
Other items	7 673	11 575
Total	45 922	58 944

Note 23 Contingent liabilities

	2012-12-31	2011-12-31
Contingent liability to FPG	230	236
General guarantee for subsidiary´s liabilities limited to	-	21 352
Total contingent liabilities	230	21 588

Note 24 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 2013-05-23

Michael Sjöberg
Chief executive officer

Babasaheb Kalyani
Chairman

Amit Kalyani

Subodh Tandale

Sanjeev Joglekar

Kari Tähtinen

Arndt Laβmann

Roland Stehr
Employee representive Unionen

Göran Andersson
Employee representive Metall

Our audit report was issued on 2013-05-23

KPMG AB

Magnus Gustafsson
Authorized public accountant

Bharat Forge Scottish Stampings Limited

Director	**Registered Office**
Mr. B. N. Kalyani	1 George Square,
Mr. A. B. Kalyani	Glassgow, G2 1AL
Mr. S. E. Tandale	United Kingdom
Mr. S. G. Joglekar	

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2012.

Principal activity and business review

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

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

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

The main focus of the directors is the orderly wind down of the business to the best advantage of all stakeholders and the directors have initiated the process of winding up of the Company Since the company will be placed into liquidation, the accounts of the Company are not audited for year ended 31st December 2012

Directors

The directors of the company are as follows:

Mr. B N Kalyani

Mr. A B Kalyani

Mr. Subodh Tandale

Mr. Sanjeev Joglekar

Financial instruments

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

On behalf of the board

Director

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

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

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

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

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

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

Bharat Forge Scottish Stampings Limited

Profit & Loss Account for the Year Ended 31st December 2012

		2012		2012		2011
	Note	Rs' 000	Rs' 000	GBP' 000	GBP' 000	GBP' 000
Turnover	2		**0**		**0**	**23**
Change in stocks of finished goods and work in progress		0		0		(8)
Other operating income		800		9		201
Raw materials and consumables		0		0		(7)
Staff costs	4.5	0		0		(157)
Depreciation and other amounts written off tangible and intangible fixed assets		0		0		0
Other operating charges		(2,312)		(26)		(108)
			(1,512)		(17)	(79)
Operating (loss)/profit	3		**(1,512)**		**(17)**	**(56)**
Profit on sale of fixed assets		0		0		1,100
Other interest receivable and similar income	6	2,579		29		0
Interest payable and similar charges	7	(17,252)		(194)		(241)
Impairment of amounts due from group undertaking		(22,321)		(251)		(2,411)
			(36,994)		(416)	(1,552)
(Loss)/profit on ordinary activities before taxation			**(38,506)**		**(433)**	**(1,608)**
Tax on (loss)/profit on ordinary activities	8		0		0	0
(Loss)/profit for the financial year	14		**(38,506)**		**(433)**	**(1,608)**

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

Bharat Forge Scottish Stampings Limited

Balance sheet at 31 December 2012

	Note	2011		2011		2009
		Rs ' 000	**Rs ' 000**	**GBP' 000**	**GBP' 000**	**GBP' 000**
Current assets						
Debtors	9	1		-		2,263
Cash at bank and in hand		8,715		98		36
		8,716		98		2,299
Creditors: amounts falling due within one year	10	(3,202)		(36)		(3,063)
Net current (liabilities)/assets			**5,514**		**62**	**(764)**
Net (liabilities)/assets			**5,514**		**62**	**(764)**
Capital and reserves						
Called up share capital	11		510,903		5,745	5,745
Profit and loss account	12		(792,544)		(8,912)	(8,480)
Capital contribution reserve	12		287,155		3,229	1,971
Shareholders' (defecit)/funds	13		**5,514**		**62**	**(764)**

These financial statements were approved by the board of directors
on 20 April 2013 and were signed on its behalf by:

Director

Notes
(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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

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

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

Fixed assets and depreciation

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

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

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

Foreign currencies

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

Leases

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

Stocks

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

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

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

Pensions

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

Taxation

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

Turnover

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

2 Analysis of turnover

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

Turnover by geographical market is as follows:

	2012	2011
	£000	£000
United Kingdom	**-**	-
Rest of Europe	**0**	23
Rest of the World	**-**	-
	0	23

3 Supplementary information

	2012	2011
	£000	£000
Operating loss is stated after charging:		
Auditors' remuneration		
Audit of these financial statements	**7**	18
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	**12**	5

Notes *(continued)*

4 Remuneration of directors

Emoluments received by the directors during the year £0 *(2011: £36,000)*. Pension contributions of £0 *(2011: £0)* were made on behalf of directors.

5 Staff numbers and costs

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

	Number of employees	
	2012	2011
Administration and sales	**0**	4
	0	0
	0	4

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£000	£000
Wages and salaries	**0**	138
Social security costs	**0**	17
Pension costs	**0**	2
	0	157

6 Other interest receivable and similar income

	2012	2011
	£000	£000
On bank loans and overdrafts	**-**	-
Interest relating to loans from group undertakings	**27**	
Exchange gains relating to loans from group undertakings	**2**	-
	29	-

Notes *(continued)*

7 Interest payable and similar charges

	2012	2011
	£000	£000
On loans from group undertakings	**0**	23
Bank interest	**135**	176
Exchange rate losses other	**59**	42
	194	241

8 Taxation

Factors affecting the tax credit for the current year

	2012	2011
	£000	£000
Current corporation tax reconciliation		
Loss on ordinary activities before tax	**(433)**	(1608)
Current corporation tax at	**(115)**	(426)
Effects of:		
Expenses not deductible for tax purposes		639
Excess capital allowances		-
Tax losses utilised		-
Capital gain not taxable		(292)
Other timing differences		-
Unutilised tax losses		79
Total current corporation tax credit (see above)		-

Factors that may affect future current and total tax charges

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

9 Debtors

	2012	2011
	£000	£000
Other debtors	**-**	5
Amount due to group undertaking	**-**	2,258
	-	2.263

10 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Bank loan (secured)	**0**	3,000
Trade creditors	**0**	16
Amounts owed to group undertakings	**17**	-
Taxation and social security	**0**	1
Accruals and deferred income	**19**	46
	36	3,063

11 Called up share capital

	2012	2011
	£000	£000
Allotted, called up and fully paid		
5,745,500 ordinary shares of £1 each	**5,745**	5,745

12 Reserves

	Capital contribution reserve £000	Profit and loss account £000
At beginning of year	1,971	(8,480)
Loss for the financial year	-	(433)
Loan waiver from immediate parent undertaking	1,258	-
At end of year	**3,229**	**(8,913)**

Notes *(continued)*

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

	£000
Loss for the financial year	(433)
Net increase in shareholders' funds	1,258
Shareholders' deficit at beginning of year	(764)
Shareholders' funds at end of year	**62**

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

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

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

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

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

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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 MEMBER OF BHARAT FORGE HONG KONG LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Bharat Forge Hong Kong Limited (the "Company") set out on pages 5 to 26, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

(Continued)

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 2012 and of the Company's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Hong Kong
15 May 2013

BHARAT FORGE HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of Bharat Forge Hong Kong Limited (the "Company") for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding.

RESULTS

The results of the Company for the year ended 31 December 2012 are set out in the statement of comprehensive income on page 5.

DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2012.

DIRECTORS

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

Mr. Babasaheb Neelkanth Kalyani
Mr. Amit Babasaheb Kalyani
Mr. Gopal Krishan Agarwal
Mr. Sanjeev Gajanan Joglekar (appointed on 25 April 2012)

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTTURES

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

BHARAT FORGE HONG KONG LIMITED

REPORT OF THE DIRECTORS

(Continued)

AUDITORS

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

On behalf of the Board

____
Sanjeev Joglekar

Hong Kong
15 May 2013

Bharat Forge Hong Kong Limited

Statement of Comprehensive Income
for the year ended 31st December,2012

		2012		2011
	Notes	**Rs.**	**USD**	**USD**
Turnover		-	-	-
Bank interest income		2,410	44	36
Provision of impairment on investment in a subsidiary	**9**	(471,084,780)	(8,600,000)	
Administrative Expenses		(11,024,041)	(201,252)	(153,460)
Loss before Tax		(482,106,411)	(8,801,208)	(153,424)
Income Tax Expense	**7**	-	-	-
Loss for the year	**8**	**(482,106,411)**	**(8,801,208)**	**(153,424)**
Other Comprehensive Income:				
Exchange differences on translating foreign operations		**170,905**	3,120	-
Total comprehensive expenses for the year		**(481,935,506)**	**(8,798,088)**	**(153,424)**

Bharat Forge Hong Kong Limited

Statement of Financial Position as at 31st December,2012

	Notes	2012		2011
		Rs.	USD	USD
Non Current Assets				
Investment in Subsidiary	**9**	1,728,368,427	31,552,640	40,152,640
Current Assets				
Other receivables		1,886,585	34,441	-
Bank balance	**10**	3,550,665	64,820	294,349
		5,437,250	99,261	294,349
Current Liability				
Other Payable		2,081,537	38,000	35,000
Net current assets		3,355,713	61,261	259,349
Total Net Assets		**1,731,724,140**	**31,613,901**	**40,411,989**
Capital & Reserve				
Share Capital	**11**	2,380,210,902	43,452,505	43,452,505
Accumulated Loss		(648,486,762)	(11,838,604)	(3,040,516)
		1,731,724,140	**31,613,901**	**40,411,989**

The Financial Statements on pages 5 to 26 were approved and authorised for issue by the board of directors on 15 May 2013 and are signed on its behalf by

Amit Kalyani **S. G. Joglekar**

Bharat Forge Hong Kong Limited

Statement of Changes in Equity
for the year ended 31st December 2012

	Share Capital		Share Capital		Accumulated Loss		Total	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
At 1st January 2011	1,714,522,095	31,299,865	-	-	(158,147,104)	(2,887,092)	1,556,374,991	28,412,773
Issue of preference shares	665,688,807	12,152,640	-	-	-	-	665,688,807	12,152,640
Loss for the year and total comprehensive expenses for the year	-	-	-	-	(8,404,152)	(153,424)	(8,404,152)	(153,424)
As at 31st December, 2011 and 1st January , 2012	**2,380,210,902**	**43,452,505**	**-**	**-**	**(166,551,256)**	**(3,040,516)**	**2,213,659,646**	**40,411,989**
Loss for the year	-	-			(482,106,411)	(8,801,208)	(482,106,411)	(8,801,208)
Exchange differences on translating foreign operations	-	-	170,905	3,120	-	-	170,905	3,120
At 31st December, 2012	**2,380,210,902**	**43,452,505**	**170,905**	**3,120**	**(648,657,667)**	**(11,841,724)**	**1,731,724,140**	**31,613,901**

Bharat Forge Hong Kong Limited

Statement of cash flows
for the year ended 31st December, 2012

	2012		2011
	Rs.	**USD**	**USD**
Operating activities			
Loss before Tax	(482,106,411)	(8,801,208)	(153,424)
Adjustments for:			
Provision of impairment on investment in a subsidiary	471,084,780	8,600,000	-
Bank Interest Income	(2,410)	(44)	(36)
Operating Cash flow before movement in working capital	(11,024,041)	(201,252)	(153,460)
Increase in other receivables	(1,715,680)	(31,321)	-
Increase / (Decrease) in other payable	164,332	3,000	(8,182)
Net Cash used in Operating activities	(12,575,389)	(229,573)	(161,642)
Investing activities			
Bank Interest received	2,410	44	36
Net Cash from (used in) Investing activities	2,410	44	36
Net decrease in Cash and Cash equivalents	**(12,572,979)**	**(229,529)**	**(161,606)**
Cash & cash equivalent at 1 January	**16,123,644**	**294,349**	**455,955**
Cash & cash equivalent at 31 December represented by bank balance	**3,550,665**	**64,820**	**294,349**

1. GENERAL

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

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

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

The Company is engaged in investment holding.

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

In the current year, the Company has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets

The directors of the Company anticipate that the application of the revised HKFRSs in the current year has had no material effect on the Company's financial performance and position for the current and prior years and/or on the disclosures set out in these financial statements.

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Company's financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Company's financial statements.

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

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

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

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

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

The directors of the Company anticipate that the application of these five standards do not have significant impact on amounts reported but will result in more extensive disclosures in the Company's financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of preparation of the financial statements

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

Investment in a subsidiary

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

Revenue recognition

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

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.

<u>The Company as lessee</u>
Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentive is received to enter into an operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense a straight-line basis.

Foreign currencies

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

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

Taxation

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment loss on financial assets

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

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

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

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

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

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

Derecognition

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key source of estimation uncertainty

The following is the key assumption concerning the future, and key source 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.

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 entirety. As at 31 December 2012, the carrying amount of the investment in a subsidiary is USD31,552,640 (2011: USD40,152,640), net of provision of impairment of USD8,600,000 (2011: Nil).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 USD	2011 USD
Financial assets		
Loan and receivables (including cash and cash equivalents)	90,251	294,349
Financial liabilities		
Other financial liabilities measured at amortised cost	38,000	35,000

(b) Financial risk management objectives and policies

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

Credit risk

The carrying amount of other receivables and bank balances included in the statement of financial position, represent the Company's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are well-recognised financial institutions.

Liquidity risk

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

As at 31 December 2012 and 2011, all financial liabilities are non-interest bearing and are due within one year.

(b) Fair value

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

7. INCOME TAX EXPENSE

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

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

	2012 USD	2011 USD
Loss before tax	(8,801,208)	(153,424)
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	(1,452,199)	(25,315)
Tax effect of expense not deductible for tax purpose	1,452,206	25,321
Tax effect of income not taxable for tax purpose	(7)	(6)
Income tax expense for the year	-	-

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

8. LOSS FOR THE YEAR

	2012 USD	2011 USD
Loss for the year has been arrived at after charging the following:		
Directors' remuneration		
- fees	-	-
- other emoluments	-	-
Auditors' remuneration	33,000	35,000
Operating lease charges in respect of motor vehicle, land and building	19,692	-
Staff costs excluding directors' emoluments		
- salaries, bonus and allowances	47,306	-
Impairment loss on investment in a subsidiary	8,600,000	-

9. INVESTMENT IN A SUBSIDIARY

	2012 USD	2011 USD
Unlisted equity interest, at cost	40,152,640	40,152,640
Provision of impairment recognised	(8,600,000)	-
	31,552,640	40,152,640

During the year, the directors of the Company reviewed the carrying amount of the investment cost in FAW Bharat Forge (Changchun) Company Limited with references to the business operated by the subsidiary. Provision of impairment of USD8,600,000 has been recognised as at 31 December 2012 (2011: Nil).

Details of the Company's subsidiary at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Class of share held	Place of incorporation / operation	Particular of the paid up registered capital	Attributable equity interest of the Company 2012	Attributable equity interest of the Company 2011	Principal activities
FAW Bharat Forge (Changchun) Company Limited 一汽巴勒特鍛造（長春）有限公司	Contributed capital	The People's Republic of China (the "PRC")	$77,440,000	51.85%	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 USD	Previous period since incorporation USD
Dealt with in the Company's financial statements	-	-
Not dealt with in the Company's financial statements	7,922,739	7,820,026

10. BANK BALANCE

Bank balances amounted to USD48,174 (2011: USD294,349) is denominated in United State dollars and deposited with a bank in Hong Kong. Bank balances bears interests at the prevailing market interest rate.

Bank balances and cash amounted to USD16,647 (2011: Nil) as at 31 December 2012, were denominated in Renminbi (“RMB”). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

11. SHARE CAPITAL

	Ordinary shares of HK$10 each		Ordinary shares of USD1 each		Non-voting redeemable preference shares of USD 1 each		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Total
		USD		USD		USD	USD
Authorised:							
At 1 January 2011	10,000	1,292	55,000,000	55,000,000	-	-	55,001,292
Re-designation of ordinary shares / issue of preference shares	-	-	(13,000,000)	(13,000,000)	13,000,000	13,000,000	13,000,000
At 31 December 2011, 1 January 2012 and 31 December 2012	10,000	1,292	42,000,000	42,000,000	13,000,000	13,000,000	68,001,292
Issued and fully paid:							
At 1 January 2011	1	1	31,299,864	31,299,864	-	-	31,299,865
Issue of preference shares	-	-	-	-	12,152,640	12,152,640	12,152,640
At 31 December 2011, 1 January 2012 and 31 December 2012	1	1	31,299,864	31,299,864	12,152,640	12,152,640	43,452,505

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

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

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

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

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

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

12. LEASE COMMITMENTS

The Company as lessee

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

	2012 USD	2011 USD
Within one year	24,306	-
In the second to fifth year, inclusive	7,677	-
Over five years	-	-
	31,983	-

Operating lease payments represent rentals payable by the Company for its office and motor vehicle. Leases are negotiated for an average term of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

13. RELATED PARTY TRANSACTIONS

(a) There were no related party transactions for the year ended 31 December 2012 and 2011.

(b) Compensation of directors and key management personnel

The directors of the Company consider that they are the only key management personnel of the Company. No emolument was paid or payable to the directors of the Company during the year ended 31 December 2012 and 2011.

FAW Bharat Forge (Changchun) Company Limited

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

Auditors' Report

SCPAR (2013) No.0870
Dated: 2013, Apr. 15

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

We have audited the financial statements of FAW Bharat Forge (Changchun) Company Limited.("your Company"), including the Balance Sheet as of Dec. 31, 2012, the income statement, the Changes to Owners' Equity and the Cash Flow Statement for the year then ended and notes attached to and forming part of the financial statements.

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

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

II. CPA's responsibilities

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

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

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

III. Auditor’s opinion

We hold the opinion that your Company’s financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material aspects and have given a fair and truthful view of the financial position of your Company as of Dec. 31, 2012 and its operation results and cash flow for the year then ended.

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

Balance Sheet

As at 31 December 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

Items	No.	Rs.	RMB	As at 31 December 2011 RMB
Current Assets	1			
Monetary Funds	2	394,507,620.87	44,693,284.34	67,561,950.71
Deposit Reservation for Balance	3			
Lendings to Banks and Other Financial Institutions	4			
Transactional Monetary Capital	5			
Notes Receivable	6	162,204,952.00	18,376,000.00	61,745,784.36
Accounts Receivable	7	1,232,208,458.89	139,595,384.49	154,568,797.13
Advances to Suppliers	8	89,636,368.93	10,154,794.26	20,972,618.20
Receivable Deposit from the Insured	9			
Reinsurance Accounts Receivable	10			
Receivable Deposit for Duty of Reinsurance	11			
Accrued Interest Receivable	12			
Other Receivables	13	110,129,519.64	12,476,438.16	15,721,961.11
Redemptory Monetary Capital for Sale	14			
Inventory	15	2,242,422,790.69	254,041,326.69	279,624,186.39
Including：Raw Materials	16	771,361,462.24	87,386,593.66	101,594,556.03
Commodity Stocks	17	326,159,726.38	36,950,235.23	39,483,382.89
Non-current Assets maturing within one year	18			
Other Current Assets	19			
Total of Current Assets	**20**	**4,231,109,711.03**	**479,337,227.94**	**600,195,297.90**
Non-current Assets	21			
Loans and Advances	22			
Financial Assets Available for Sale	23			
Held-To-Maturity Investment	24			
Long-term Accounts Receivable	25			
Long-term Equity Investment	26			
Investment Real Estate	27			
Fixed Assets	28	4,513,302,930.09	511,306,551.50	454,064,321.01
Less：Accumulative Depreciation	29	714,499,824.45	80,944,808.48	68,486,143.40
Net Book Value of Fixed Assets	30	3,798,803,105.64	430,361,743.02	385,578,177.61
Less：Reserve for Fixed Assets Impairment	31			
Net Value of Fixed Assets	32	3,798,803,105.64	430,361,743.02	385,578,177.61
Construction in Process	33	1,986,326,504.80	225,028,492.67	151,092,174.54
Construction Materials	34			54,308,363.60
Disposal of Fixed Assets	35			
Productive Biological Assets	36			
Oil and Gas Assets	37			
Intangible Assets	38	589,417,095.91	66,774,339.63	24,641,975.33
Expense on Exploitation	39			
Goodwill	40			
Long-term Deferred Expenses	41			
Deferred Income Tax Assets	42			
Other Non-current Assets(Other Long-term Assets)	43			
Including：Charactered Material Reserve	44			
Total of Non-current Assets	45	**6,374,546,706.35**	**722,164,575.32**	**615,620,691.08**
	46			
	47			
	48			
	49			
	50			
	51			
	52			
	53			
	54			
	55			
	56			
	57			
	58			
	59			
	60			
	61			
	62			
	63			
Total of Assets	**64**	**10,605,656,417.38**	**1,201,501,803.26**	**1,215,815,988.98**

Balance Sheet

As at 31 December 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

Items	No.	Rs.	RMB	As at 31 December 2011 RMB
Current Liability	65			
Short-term Loan	66	2,715,008,660.00	307,580,000.00	305,950,000.00
Loan from the Central Bank	67	-	-	-
Savings Absorption and Due to Placements with Banks and Other Financial Institutions	68	-	-	-
Loan from Banks and Other Financial Institutions	69	-	-	-
Transactional Moneytary Liabilities	70	-	-	-
Notes Payable	71	706,160,000.00	80,000,000.00	35,000,000.00
Accounts Payable	72	1,661,124,018.38	188,186,701.98	195,301,852.24
Advance from Customers	73	24,619,407.86	2,789,102.51	3,652,117.97
Financial Assets Sold for Repurchase	74	-	-	-
Commissions Payable	75	-	-	-
Wages Payable to Employees	76	17,235,080.38	1,952,541.11	2,076,105.29
Including：Accrued Payroll	77	-	-	-
Welfare Payable	78	-	-	-
Including: Employee's Bonus and Welfare Fund	79	-	-	-
Taxes and Fees Payable	80	(31,492,820.98)	(3,567,783.05)	2,081,368.64
Including：Taxes Payable	81	(31,492,820.98)	(3,567,783.05)	2,081,368.64
Accrued Interest Payable	82	7,852,884.41	889,643.64	1,122,979.17
Other Payables	83	148,074,438.04	16,775,171.41	23,625,871.19
Dividend Payable for Reinsurance	84	-	-	-
Deposit for Duty of Reinsurance	85	-	-	-
Receivings from Vicariously Traded Securities	86	-	-	-
Receivings from Vicariously Sold Securities	87	-	-	-
Non-current Liability maturing within one year	88	-	-	-
Other Current Liabilities	89	-	-	-
Total of Current Liability	**90**	**5,248,581,668.08**	**594,605,377.60**	**568,810,294.50**
Non-current Liability	91			
Long-term Loan	92	1,372,030,059.47	155,435,602.07	99,500,000.00
Bonds Payable	93	-	-	-
Long-term Payable	94	813,624,209.46	92,174,488.44	115,331,596.17
Special Payable	95	-	-	-
Estimable Liability	96	-	-	-
Deferred Income Tax Liability	97	-	-	-
Other Non-current Liability	98	-	-	-
Including：Special reserve fund	99	-	-	-
Total of Non-current Liability	**100**	**2,185,654,268.93**	**247,610,090.51**	**214,831,596.17**
Total of Liability	**101**	**7,434,235,937.01**	**842,215,468.11**	**783,641,890.67**
Owners' Equity	102			
Paid-in Capital	103	5,026,096,690.05	569,400,327.41	569,400,327.41
National Capital	104	-	-	-
Collective Capital	105	-	-	-
Legal Person's Capital	106	2,416,781,605.45	273,794,222.89	273,794,222.89
Including: State-owned Legal Person's Capital	107	2,416,781,605.45	273,794,222.89	273,794,222.89
Collective Legal Person's Capital	108	-	-	-
Personal Capital	109	-	-	-
Foreign Businessmen's Capital	110	2,609,315,084.60	295,606,104.52	295,606,104.52
Less：Investment Returned	111	-	-	-
Net Value of Paid-in Capital	112	5,026,096,690.05	569,400,327.41	569,400,327.41
Capital Surplus	113	652,112.01	73,876.97	73,876.97
Less：Treasury Share	114	-	-	-
Appropriative Peserve	115	-	-	-
Surplus Reserves	116	-	-	-
Including：Legal Surplus Reserves	117	-	-	-
Free Surplus Reserves	118	-	-	-
Reserve Fund	119	-	-	-
Enterprise Expansion Fund	120	-	-	-
Profits Capitalized on Return of Investment	121	-	-	-
Generic Risk Reserve	122	-	-	-
Undistributed Profit	123	(1,855,328,321.69)	(210,187,869.23)	(137,300,106.07)
Converted difference in Foreign Currency Statements	124	-	-	-
Total of owner's equity belong to the parent company	125	-	-	-
Minority Interests	126	-	-	-
Total of Owners' Equity	**127**	**3,171,420,480.37**	**359,286,335.15**	**432,174,098.31**
Total of Liability and Owners' Equity	**128**	**10,605,656,417.38**	**1,201,501,803.26**	**1,215,815,988.98**

Income Statement of 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

Items	No.	Rs.	RMB	Previous Year RMB
I. Total Revenue from Operation	**1**	**5,580,247,314.08**	**632,179,371.71**	**867,251,237.41**
Including:Operating Revenue	2	5,580,247,314.08	632,179,371.71	867,251,237.41
Including:Prime Operating Revenue	3	5,234,737,410.46	593,036,978.64	812,030,645.78
Other Operating Revenue	4	345,509,903.63	39,142,393.07	55,220,591.63
Interest Income	5	-	-	-
Premium Income	6	-	-	-
Commission Income	7	-	-	-
II. Total Cost from Operation	**8**	**6,190,016,562.44**	**701,259,381.72**	**863,862,347.69**
Including:Operating Costs	9	4,983,842,623.47	564,613,416.05	718,579,921.88
Including:Main Business Costs	10	4,944,604,910.25	560,168,223.66	712,361,453.84
Other Business Costs	11	39,237,713.23	4,445,192.39	6,218,468.04
Interest Expenses	12	-	-	-
Commission Expenses	13	-	-	-
Loan Value	14	-	-	-
Compensation Expenses	15	-	-	-
Appropriation of Deposit for Duty	16	-	-	-
Dividend Expenses for The Insured	17	-	-	-
Reinsurance Expenses	18	-	-	-
Operating Tax	19	10,512,487.76	1,190,946.84	1,832,686.12
Sales Expense	20	107,229,904.95	12,147,944.37	20,221,097.03
Administrative Expense	21	812,779,355.66	92,078,775.99	97,194,308.77
Including:Business Entertains	22	7,035,905.75	797,089.13	1,074,355.30
Research and Development Expenses	23	1,215,675.54	137,722.39	-
Financial Expense	24	246,799,002.58	27,959,556.20	25,035,680.55
Including:Interests Expenses	25	246,236,134.62	27,895,789.58	23,325,775.32
Interest Income	26	3,172,579.51	359,417.64	568,809.73
Exchange loss or Profit	27	930,618.08	105,428.58	(62,824.99)
Asset Impairment Loss	28	28,853,188.02	3,268,742.27	998,653.34

Income Statement of 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

Items	No.	Rs.	RMB	Previous Year RMB
Others	29	-	-	-
Add: Changes of Fair Value of Assets	30	-	-	-
Investment Income	31	-	-	-
Including: Income from Associates	32	-	-	-
Exchange loss or Profit	33	-	-	-
III. Operation Profit	**34**	**(609,769,248.36)**	**(69,080,010.01)**	**3,388,889.72**
Add: Non-operation Income	35	4,259,086.99	482,506.74	1,928,894.83
Including:Profit from Disposal of Non-current Assets	36	-	-	1,354,744.02
Profit of non-monetary assets transaction	37	-	-	-
Government Subsidies	38	-	-	-
Gains of Debt Restructuring	39	-	-	-
Less: Non-operation Cost	40	37,870,124.05	4,290,259.89	1,588,712.28
Including:Loss from Disposal of Non-current Assets	41	24,063,103.48	2,726,079.47	660,880.07
Loss of non-monetary assets transaction	42	-	-	-
Loss of Debt Restructuring	43	-	-	-
IV. Total of Profit	**44**	**(643,380,285.41)**	**(72,887,763.16)**	**3,729,072.27**
Less: Income Tax Expense	45	-		
V. Net Profit	**46**	**(643,380,285.41)**	**(72,887,763.16)**	**3,729,072.27**
Net Profit Attributable to The Owners of Parent Company	47	-	-	-
Minority Interests	48	-	-	-
VI. Earnings Per Share	**49**	**-**	**-**	**-**
Basic Earnings Per Share	50	-	-	-
Diluted Earnings Per Share	51	-	-	-
VII. Other Comprehensive Income	**52**	**-**	**-**	**-**
VIII. Total of Comprehensive Incomes	**53**	**(643,380,285.41)**	**(72,887,763.16)**	**3,729,072.27**
Total of Comprehensive Incomes Attributable to The Owners of The Parent Company	54	-	-	-
Total Comprehensive Gains Attributable to The Minor Shareholders	55	-	-	-
		-		

Cash Flow Statement of 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

				Previous Year
Items	**No.**	**Rs.**	**RMB**	**RMB**
I. Cash Flows from Operating Activities	1	-	-	-
Cash Receipts from the Sale of Goods or Rendering of Services	2	3,352,316,950.45	379,779,874.30	307,932,363.40
Net Increase in Customer Bank Deposits and Due to Banks and Other Financial Institutions	3	-	-	-
Net Increase in Loans from the Central Bank	4	-	-	-
Net Increase in Placements from Other Financial Institutions	5	-	-	-
Cash Received from Premiums under Original Insurance Contracts	6	-	-	-
Net Cash Received from Reinsurance Business	7	-	-	-
Net Increase in Deposits from Policyholders	8	-	-	-
Net Increase from Disposal of Held-for-trading Financial Assets	9	-	-	-
Cash Received from Interest, Handling Charges and Commissions	10	-	-	-
Net Increase in Placements from Banks and Other Financial Institutions	11	-	-	-
Net Capital Increase of Repurchase Business	12	-	-	-
Tax Rebates Received	13	-	-	-
Cash Received Relating to Other Operating Activities	14	6,810,393.38	771,541.11	1,159,199.61
Subtotal of Cash Inflows from Operating Activities	**15**	**3,359,127,343.82**	**380,551,415.41**	**309,091,563.01**
Cash Paid for Goods and Services	16	844,174,997.91	95,635,549.78	176,847,714.20
Net Increase in Loans and Advances to Customers	17	-	-	-
\	18	-	-	-
Cash Paid for Claims under Original Insurance Contracts	19	-	-	-
Cash Paid for Interest, Handling Charges and Commission	20	-	-	-
Cash Paid for Policyholder Dividend	21	-	-	-
Cash Paid to and for Employees	22	1,012,063,087.72	114,655,385.49	121,741,645.73
Payments of Taxes and Surcharges	23	131,638,707.92	14,913,187.71	17,765,764.82
Cash Paid Relating to Other Operating Activities	24	376,211,326.07	42,620,519.55	22,766,598.54
Subtotal of Cash Outflows from Operating Activities	**25**	**2,364,088,119.61**	**267,824,642.53**	**339,121,723.29**
Net Cash Flows from Operating Activities	**26**	**995,039,224.21**	**112,726,772.88**	**(30,030,160.28)**
II. Cash Flows from Investing Activities	27	-		
Proceeds from Sell of Investment	28	-	-	-
Cash Receipts from Return on Investments	29	-	-	-

Legal Representative：

Person in charge of the accounting department

Cash Flow Statement of 2012

Company Name: FAW Bharat Forge (Changchun) Company Limited

				Previous Year
Items	**No.**	**Rs.**	**RMB**	**RMB**
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	30	#VALUE!	-	2,443,415.37
Net cash received from disposal of subsidiaries and other business units	31	-	-	-
Cash Received Relating to Other Investing Activities	32	-	-	-
Subtotal of Cash Inflows from Investing Activities	**33**	**-**	**-**	**2,443,415.37**
Cash Paid for Purchase of Fixed Assets, Intangible Assets and Other Long-term Asset	34	1,213,770,798.72	137,506,604.59	167,797,094.40
Cash Paid on Investments	35	-	-	-
Net Increase in Pledged Loans	36	-	-	-
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units	37	-	-	-
Cash Paid Relating to Other Investing Activities	38	-	-	-
Subtotal of Cash Outflows from Investing Activities	**39**	**1,213,770,798.72**	**137,506,604.59**	**167,797,094.40**
Net Cash Flows from Investing Activities	**40**	**(1,213,770,798.72)**	**(137,506,604.59)**	**(165,353,679.03)**
III.Cash flows from financing activities	41	-	-	-
Cash Received from Capital Contribution	42	-	-	-
Including: Cash Received from Minority Interest Contribution to Subsidiaries	43	-	-	-
Cash Received from Loans	44	5,061,716,059.47	573,435,602.07	579,500,000.00
Cash Received from Bond Issue	45	-	-	-
Cash Received Relating to Other Financing Activities	46		-	114,000,000.00
Subtotal of Cash Inflows from Financing Activities	**47**	**5,061,716,059.47**	**573,435,602.07**	**693,500,000.00**
Cash Repayments of Loans	48	4,590,040,000.00	520,000,000.00	441,800,000.00
Cash Paid for Dividend and Profit Distribution or Interest Payment	49	188,414,576.30	21,345,256.18	20,492,035.95
Including: Dividend and Profit Paid to Minority Interests by Subsidiaries	50	-	-	-
Cash Paid Relating to Other Financing Activities	51	265,461,008.64	30,073,751.97	-
Subtotal of Cash Outflows from Financing Activities	**52**	**5,043,915,584.94**	**571,419,008.15**	**462,292,035.95**
Net Cash Flows from Financing Activities	**53**	**17,800,474.53**	**2,016,593.92**	**231,207,964.05**
IV.Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	54	(930,618.08)	(105,428.58)	(10,260.17)
V.Net Increase in Cash and Cash Equivalents	**55**	**(201,861,718.05)**	**(22,868,666.37)**	**35,813,864.57**
Add: Balance of Cash and Cash Equivalents as at the Beginning of the Period	**56**	**596,369,338.92**	**67,561,950.71**	**31,748,086.14**
VI.Balance of Cash and Cash Equivalents as at the End of the Period	**57**	**394,507,620.87**	**44,693,284.34**	**67,561,950.71**
		-		

: Person in charge of accountancy work :

Statement of Changes in Owners' Equity of 2012

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

Items	No.	Current Year Amount											Prior Year Amount										
		Owners' Equity belonging to Parent Company									Minority Interests	Total of owners' Equity	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			Paid-in Capital	Capital Surplus	Less: Treasury Stock	Appropriative Reserve	Surplus Reserve	Generic Risk Reserve	Undistributed Profit	Others	Subtotal		
Column	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
I. Ending Balance of Previous Year	1	569,400,327.41	73,876.97					(137,300,106.07)		432,174,098.31		432,174,098.31	569,400,327.41	73,876.97					(141,029,178.34)		428,445,026.04		428,445,026.04
Add: Adjustment of accounting policy	2																						
Correction of previous period	3																						
II. Beginning Balance of Current Year	4	569,400,327.41	73,876.97					(137,300,106.07)		432,174,098.31		432,174,098.31	569,400,327.41	73,876.97					(141,029,178.34)		428,445,026.04		428,445,026.04
III. Increase or Decrease Amount in Current Year	5							(72,887,763.16)		(72,887,763.16)		(72,887,763.16)							3,729,072.27		3,729,072.27		3,729,072.27
(1) Net Profit	6							(72,887,763.16)		(72,887,763.16)		(72,887,763.16)							3,729,072.27		3,729,072.27		3,729,072.27
(2) Other Comprehensive Income	7																						
Net Profit and Other Comprehensive Income	8							(72,887,763.16)		(72,887,763.16)		(72,887,763.16)							3,729,072.27		3,729,072.27		3,729,072.27
(3) Capital Increase or Decrease	9																						
1.Capital invested	10																						
2.Payment of share relating to owners' equity	11																						
3.Others	12																						
(4) Withdrawal and Using Appropriative Reserve	13																						
1.Withdrawal Appropriative Reserve	14																						
2.Using Appropriative Reserve	15																						
(5) Distribution of Profit	16																						
1. Surplus reserve	17																						
Including:Legal Surplus Reserves	18																						
Free Surplus Reserves	19																						
Reserve Fund	20																						
Enterprise Expansion Fund	21																						
Profits Capitalized on Return of Investment	22																						
2.Withdrawal of Generic Risk Reserve	23																						
3.Distribution to shareholders	24																						
4.Others	25																						
(6) Internal Transfer	26																						
① Capital surplus transferred into paid-in capital	27																						
② Surplus reserve transferred into paid-in capital	28																						
③ Surplus reserve transferred to make up loss	29																						
④ Others	30																						
IV. Ending Balance of Current Year	31	569,400,327.41	73,876.97					(210,187,869.23)		359,286,335.15		359,286,335.15	569,400,327.41	73,876.97					(137,300,106.07)		432,174,098.31		432,174,098.31

Legal Representative：

Person in charge of the accounting department：

Person in charge of accountancy work：

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.

(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%.

VI. Notes to significant Accounts

1. Monetary Assets

Items	31 December 2012			31 December 2011		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash						
RMB			876.64			2,978.86
Sub-total			876.64			2,978.86
Bank						
RMB			19,502,108.50			26,238,971.85
USD			-			-
EUR			-			-
Sub-total			19,502,108.50			26,238,971.85
Other Monetary Fund						
RMB			25,190,299.20			41,320,000.00
Sub-total			25,190,299.20			41,320,000.00
Total			44,693,284.34			67,561,950.71

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

2. Notes Receivable

Category	31 December 2012	31 December 2011
Bank Acceptance	18,376,000.00	60,745,784.36
Trade Acceptance	-	10,000,00.00
Total	18,376,000.00	61,745,784.36

3. Accounts Receivable

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	13,691,94 8.88	8.77%	13,691,948.88	-	100.00%
Total	156,203,834.25	100.00%	16,608,449.76	139,595,384.49	

Account Age	31 December 2011				
	Amount (Original Occurred Amount)	Proportion to Total Amount	Provision for Bad Debts	Book Value	Proportion for Making Provision for Bad Debts
0-6 Months	136,881,635.07	80.48%	-	136,881,635.07	-
7-12 Months	16,215,907.58	9.54%	810,795.38	15,405,112.20	5.00%
1-2 Years	1,457,095.98	0.86%	145,709.60	1,311,386.38	10.00%
2-3 Years	1,221,726.38	0.72%	366,517.91	855,208.47	30.00%
3-4 Years	230,910.03	0.14%	115,455.02	115,455.01	50.00%
Over 4 Years	14,051,842.94	8.26%	14,051,842.94	-	100.00%
Among: Changchun FAW Sihuan Transmission Gear Factory	13,691,948 .88	8.05%	13,691,948.88	-	100.00%
Total	170,059,117.98	100.00%	15,490,320.85	154,568,797.13	

(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:

Item	31 December 2012		31 December 2011	
	Amount (Original Occurred Amount)	Proportion to Total Amount	Amount (Original Occurred Amount)	Proportion to Total Amount
Total of the top five	90,696,054.69	58.06%	97,734,725.23	57.47%

(3) Provision for Bad Debts

Item	Amount
31 December 2011	15,490,320.85
Increase for current period	1,118,128.91
Reversal of provision for current period	-
31 December 2012	16,608,449.76

By using individual valuation method, the company evaluated the value of the accounts receivable of

"Changchun FAW Sihuan Transmission Gear Factory" and confirmed the full provision for bad debts of it. The total provision for bad debts is RMB 13,691,948.88.

4. Advance to Suppliers

Account Age	31 December 2012		31 December 2011	
	Amount	Proportion to Total Amount	Amount	Proportion to Total Amount
0-1 Years	10,137,672.89	99.83%	17,870,516.25	85.21%
1-2 Years	-	-	18,679.00	0.09%
2-3 Years	17,120.47	0.17%	3,083,422.05	14.70%
Over 3 Years	0.90	-	0.90	-
Total	10,154,794.26	100.00%	20,972,618.20	100.00%

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

5. Other Receivables

Account Age	31 December 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	-

(continue)

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

(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 December 2012		31 December 2011	
	Amount (Original Occurred Amount)	Proportion to Total Amount	Amount (Original Occurred Amount)	Proportion to Total Amount
Total of the top five	12,276,936.00	98.40%	15,257,898.99	97.05%

6. Inventories

Item	31 December 2012		31 December 2011	
	Amount	Provision	Amount	Provision
Raw materials	87,386,593.66	-	101,594,556.03	-
Turnover materials(Dies)	80,398,484.05	2,150,613.36	79,378,017.31	-
Finished goods	36,950,235.23	-	39,483,382.89	-
Work in progress	45,242,615.09	-	49,637,339.13	-
Materials in consignment	6,214,012.02	-	9,530,891.03	-
Total	256,191,940.05	2,150,613.36	279,624,186.39	-

7. Fixed Assets, Accumulated Depreciation

Categories	31 December 2011	Current Increase	Current Decrease	31 December 2012
Original Value				
Buildings and structures	67,272,979.60	3,315,906.22	37,517.00	70,551,368.82
Machinery equipment	345,236,819.43	105,100,099.93	51,379,232.16	398,957,687.20
Electrical and other Equipments	5,670,917.72	200,153.86	190,166.47	5,680,905.11
Transport Equipments	3,100,422.98	280,505.91	89,975.96	3,290,952.93
Die	32,783,181.28	1,206,806.00	1,164,349.84	32,825,637.44
Total	454,064,321.01	110,103,471.92	52,861,241.43	511,306,551.50
Accumulated Depreciation				
Buildings and structures	6,415,930.85	1,219,098.03	14,070.25	7,620,958.63
Machinery equipment	49,860,653.47	12,873,289.01	5,164,273.38	57,569,669.10
Electrical and other Equipments	3,511,336.57	664,084.16	171,149.81	4,004,270.92
Transport Equipments	1,270,177.46	498,454.32	80,978.36	1,687,653.42
Die	7,428,045.05	2,919,846.37	285,635.01	10,062,256.41
Total	68,486,143.40	18,174,771.89	5,716,106.81	80,944,808.48
Net Value	385,578,177.61			430,361,743.02
Provision for impairment loss on fixed assets	-			-
Book Value	385,578,177.61			430,361,743.02

(1) The converted construction in progress of current period is105, 405,674.23 yuan.

(2) The decrease 46,877,955.29 yuan of gross value of fixed assets is linked to fixed asset renewal transfer to construction in progress.

(3) The company used 210 machinery equipments of fixed assets which book value is 169,541,837.02 yuan and 3 machinery equipments of constructions in progress which book value is 28,681,253.60 yuan for sale-leaseback business, then obtained 114,000,000.00 yuan margin loans.

(4) The company obtained 40,000,000.00 yuan credit limit by mortgaging the machinery equipments which original value is 104,032,653.76 yuan to the bank.

8. Constructions in Progress

(1) Book Value

Items	31 December 2012	31 December 2011
Cost	225,028,492.67	151,092,174.54
Provision	-	-
Book Value	225,028,492.67	151,092,174.54

(2) Current Increase and Decrease

Project Name	31 December 2011	Current Increase	Interests Capitalized	Converted Fixed Amount of Current Period	31 December 2012
Shaft & gear project	76,992,613.18	99,229,834.29	2,765,639.65	-	176,222,447.47
Updating mechanical and power equipments	51,838,999.61	75,214,200.02	-	83,495,347.85	43,557,851.78
Improving mechanical and power equipments	21,760,561.75	3,749,401.60	-	21,551,264.27	3,958,699.08
Updating and purchasing electrical equipments	500,000.00	400,000.00	-	-	900,000.00
Other	-	748,556.45	-	359,062.11	389,494.34
Total	151,092,174.54	179,341,992.36	2,765,639.65	105,405,674.23	225,028,492.67

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

9. Construction material

Items	31 December 2012	31 December 2011
Advance for the equipment	-	54,308,363.60
Provision for impairment loss	-	-
Total	-	54,308,363.60

10. Intangible assets

Items	31 December 2011	Current Increase	Current Decrease	31 December 2012
Land use right	24,139,306.29	43,391,447.00	1,164,386.32	66,366,366.97
Software	502,669.04	47,350.43	142,046.81	407,972.66
Total	24,641,975.33	43,438,797.43	1,306,433.13	66,774,339.63

In 2012, the company gained the land access card [Chang Chun Gao Xin Guo Yong (2012) No 101000039]. The area of land is 106,774.00㎡ and the expiry date is 7st December 2061.

11. Short-term Loans

Items	31 December 2012		
	Amount	Due Time	Monthly Interest rate
Credit Loan	127,000,000.00	2012.8.8-2013.11.29	Floating
Loan Pledged (1)	56,000,000.00	2012.9.17-2013.3.16	0.47%
Loan Pledged (1)	20,000,000.00	2012.11.16-2013.5.16	0.47%
Loan Pledged (1)	25,000,000.00	2012.12.18-2013.6.18	0.47%
Mortgage Loan(2)	10,000,000.00	2012.2.14-2013.2.10	Floating
Mortgage Loan(2)	17,000,000.00	2012.3.15-2013.2.10	Floating
Mortgage Loan(2)	13,000,000.00	2012.9.14-2013.9.13	Floating
Notes Discount	8,580,000.00	-	-
Factoring(3)	15,000,000.00	2012.10.30-2013.3.4	Floating
Factoring(3)	16,000,000.00	2012.11.7-2013.4.15	Floating
Total	307,580,000.00		

Items	31 December 2011		
	Amount	Due Time	Monthly Interest rate
Credit Loan	127,000,000.00	2011.08.04-2012.11.28	Floating
Loan Pledged	25,000,000.00	2011.11.21-2012.05.21	0.56%
Loan Pledged	35,000,000.00	2011.04.02-2012.04.02	Floating
Loan Pledged	19,500,000.00	2011.12.06-2012.06.06	Floating
Loan Pledged	20,000,000.00	2011.01.19-2012.01.18	Floating
Mortgage Loan	27,000,000.00	2011.02.12-2012.02.10	Floating
Mortgage Loan	13,000,000.00	2011.09.05-2012.09.05	Floating
Notes Discount	4,450,000.00	-	-
Factoring Loan	35,000,000.00	2011.09.20-2012.02.16	Floating
Total	305,950,000.00		

(1) The company obtained 195,000,000.00 yuan credit line from China Citic Bank by pledging all the accounts receivable from FAW jiefang automotive company, during the comprehensive credit period and after the expiration of 6 months. At the end of 2012, the balance amount of loan pledged is 101,000,000.00 yuan.

(2) The company obtained 40,000,000.00 yuan credit line from China Merchants Bank by mortgaging 31 machinery equipments which original value is 104,032,653.76 yuan. At the end of 2012, the balance amount of mortgage loan is 40,000,000.00 yuan.

(3) 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 which original value is 23,701,962.98 yuan . At the end of 2012, the balance amount of the factoring loan is 31,000,000.00 yuan.

12. Notes Payable

Items	31 December 2012	31 December 2011
Bank Acceptance	80,000,000.00	35,000,000.00
Trade Acceptance	-	-
Total	80,000,000.00	35,000,000.00

13. Accounts Payable

Items	31 December 2012	31 December 2011
Balance	188,186,701.98	195,301,852.24
Including：over 3 years	953,770.77	477,131.26

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

14. Advance From Customers

Items	31 December 2012	31 December 2011
Balance	2,789,102.51	3,652,117.97
Including: over 1 years	1,526,196.95	890,773.98

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

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

15. Employees Salary Payable

Items	31 December 2011	Current Increase	Current Payment	31 December 2012
One. Wage, Bonus, Allowance and Subsidy	-	59,766,668.84	59,766,668.84	-
Two. Employees' Welfare	-	6,746,183.10	6,746,183.10	-
Three. Social Securities	-	35,103,918.61	35,103,918.61	-
In which: Medical Insurance	-	9,630,555.43	9,630,555.43	-
Basic pension insurance	-	22,482,710.79	22,482,710.79	-
Unemployment Insurance	-	2,068,898.45	2,068,898.45	-
Work-Related Insurance	-	599,458.00	599,458.00	-
Maternity Insurance	-	322,295.94	322,295.94	-
Four. Housing Accumulation Fund	6,991.00	18,108,600.00	18,111,405.00	4,186.00
Five. Trade Union Outlays and Employees' Education Outlay	-	-	-	-
Six. Non-monetary welfare	-	-	-	-
Seven. Compensation to the dismissal of Labor Contract	2,054,367.60	182,238.23	305,397.41	1,931,208.42
Eight. Others	14,746.69	4,028,298.64	4,025,898.64	17,146.69
In which: Payment of Shares Settled in Cash	-	-	-	-
Total	2,076,105.29	123,935,907.42	124,059,471.60	1,952,541.11

16. Taxes Payable

Taxes	31 December 2012	31 December 2011
Value-Added tax	-3,779,168.94	1,544,232.42
Stamp tax	124,899.00	182,900.00
Individual Income tax	86,486.89	162,576.95
Urban construction and maintenance tax	-	111,801.24
Education surcharge	-	79,858.03
Total	-3,567,783.05	2,081,368.64

17、Accrued Interest Payable

Items	31 December 2012	31 December 2011
Balance	889,643.64	1,122,979.17

18. Other Payables

Items	31 December 2012	31 December 2011
Balance	16,775,171.41	23,625,871.19
Including：over 3 years	512,443.44	10,931,934.44

The Company owes the investor, China FAW Corporation Limited, RMB 12,418,129.00. The proportion is 100%, all of which is the rental charge of land use right.

19. Long-term Loans

Items	31 December 2012 Amount	31 December 2011 Amount
Credit Loan	155,435,602.07	99,500,000.00

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 2012, under this credit agreement, the corporation obtained 55,935,602.07 yuan long-term borrowings（period: 2012.2.16-2017.12.17, interest rate: benchmark interest rate plus 10%）. Hence, at the end of 2012, the total amount of long-term borrowing company borrowed from bank of communications Changchun FAW sub-branch has reached 155,435,602.07 yuan.

20. Long-term Payable

Items	31 December 2012	31 December 2011
Balance	92,174,488.44	115,331,596.17

21. Paid-in Capital

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

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

22. Capital Surplus

Item	31 December 2011	Increase of Current Period	Decrease of Current Period	31 December 2012
Accepted non-cash assets donation	73,876.97	-	-	73,876.97

23. Undistributed Profits

Items	31 December 2012	31 December 2011
Net Profit	-72,887,763.16	3,729,072.27
Add: Undistributed profit at the beginning of year.	-137,300,106.07	-141,029,178.34
Profit Available for Distribution	-210,187,869.23	-137,300,106.07
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	-210,187,869.23	-137,300,106.07

24. Operating Revenue and Operating Costs

(1) Operating Revenue

Items	31 December 2012	31 December 2011
Main Business Revenue	593,036,978.64	812,030,645.78
Other Business Revenue	39,142,393.07	55,220,591.63
Total	632,179,371.71	867,251,237.41

(2) Operating Costs

Items	31 December 2012	31 December 2011
Main Business Costs	560,168,223.66	712,361,453.84
Other Business Costs	4,445,192.39	6,218,468.04
Total	564,613,416.05	718,579,921.88

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

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	3,988,026.12	4,198,344.49	-210,318.37
Labor Service	4,221.98	3,056.81	1,165.17
Waste	33,754,939.60	-	33,754,939.60
Others	1,399,427.35	246,847.90	1,152,579.45
Total	632,179,371.71	564,613,416.05	67,565,955.66

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

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

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

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

25. Operating tax

Items	31 December 2012	31 December 2011
Urban construction and maintenance tax	692,574.14	1,123,751.03
Education surcharge	494,695.81	707,898.51
Business tax	3,676.89	1,036.58
Total	1,190,946.84	1,832,686.12

26. Sales expense

Items	31 December 2012	31 December 2011
Transportation expense	5,821,374.19	13,143,790.44
Claim payment	3,118,971.04	3,723,445.94
Salary	2,079,501.50	2,313,968.50
Others	1,104,333.50	871,775.74
Publicity expenses	6,000.00	156,640.00
Depreciation	17,764.14	11,476.41
Total	12,147,944.37	20,221,097.03

27. Administrative expense

Items	31 December 2012	31 December 2011
Salary	47,684,169.25	50,955,054.28
Repair charges of fixed asserts	21,496,256.73	29,537,817.25
Rental fee	4,593,944.00	4,675,979.38
Depreciation and amortization	3,819,031.36	2,353,532.37
Travel expenses	1,212,667.37	1,768,463.78
Heating costs	2,748,711.22	1,691,208.04
Other tax	1,909,090.69	1,282,046.59
Others	2,109,354.52	1,197,344.08
Business entertains	797,089.13	1,074,355.30
Transportation expense	704,279.06	817,769.11
Property insurance	754,326.82	740,262.89
Intermediary fees	1,620,292.85	670,088.40
Office expenses	362,230.81	430,387.30
The loss of inventories	2,129,609.79	-
Research and development costs	137,722.39	-
Total	92,078,775.99	97,194,308.77

28. Finance expense

Items	31 December 2012	31 December 2011
Interests expenses	27,895,789.58	23,325,775.32
Less: Interest income	359,417.64	568,809.73
Exchange loss or profit	105,428.58	-62,824.99
Bank charges	317,755.68	2,341,539.95
Total	27,959,556.20	25,035,680.55

29. Assets impairment losses

Items	31 December 2012	31 December 2011
Provision of bad debts	1,118,128.91	998,653.34
Provision for impairment of inventories	2,150,613.36	-
Total	3,268,742.27	998,653.34

30.Non-operating income

Items	31 December 2012	31 December 2011
Profit from disposal of non-current assets	-	1,354,744.02
Compensation and penalty receipt	180,108.50	512,450.81
Others	302,398.24	50,000.00
Government subsidies	-	11,700.00
Total	482,506.74	1,928,894.83

31. Non-operating cost

Items	31 December 2012	31 December 2011
Loss from disposal of non-current assets	2,726,079.47	660,880.07
Compensation	867,251.24	33,338.23
Flood control fund	680,229.18	894,493.98
Others	16,700.00	-
Total	4,290,259.89	1,588,712.28

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

Items	Current period
Interest income	359,417.64
Compensation	134,608.50
Total	494,026.14

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

Items	Current period
Rental charge of land use right	14,391,251.00
Transportation expense	6,126,911.67
Claim payment	3,118,971.04
Heating costs	2,748,711.22
Travel expenses	1,212,667.37
Flood control fund	867,251.24
Business entertains	797,089.13
Legal costs	773,554.00
Packing costs	757,588.68
Total	30,793,995.35

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

Items	Current period
Financial lease rental fee	30,073,751.97

35. Notes to the Cash Flow Statement

Items	Current period
(1) Cash flow generated from converting the net profit into the operating activities	
Net Profit	-72,887,763.16
Add: Reserve for Assets Depreciation	3,268,742.27
Fixed Assets Depreciation, loss of oil and natural gas assets, production-oriented biological assets depreciation	18,174,771.89
Amortization of Intangible Assets	1,306,433.13
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 "-")	2,726,079.47
Loss resulting from discarding the fixed assets (the income is filled with "-")	-
Loss resulting from change of impartial value (the income is filled with "-").	-
Financial Costs (the income is filled with "-")	28,001,218.16
Investment Loss (income is filled with "-")	-
Decrease of deferred income tax assets(the increase is filled with "-")	-
Increase of deferred income tax liabilities (Decrease is filled with "-")	-
Decrease of Inventories (increase is filled with "-")	23,432,246.34
Decrease of operational receivables (increase is filled with "-")	75,496,752.30
Increase of operational payables (decrease is filled with "-")	33,208,292.48
Others	-
Net Amount of Cash Flow Generated by Operating Activities	112,726,772.88
(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	44,693,284.34
Less: Beginning Balance of Cash	67,561,950.71
Add: Ending balance of cash equivalents	-
Less: Beginning Balance of Cash Equivalent	-
Increase of cash and cash equivalents	-22,868,666.37

VII. Relations with Related Parties and Transactions

1. Information of the controller

(1) Information of the controller

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

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

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

(3) Transactions with the controller

① Transactions with the controller

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

② Amount receivable from and payable to the controller

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

2. Information of related parties without the control relationship

(1) Related parties without the control relationship

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

(2) Transaction of Related Parties

① Sales and Labor Service

Related Parties	Related Transaction	Transaction Amount
FAW Jiefang Automobile Co., Ltd.	Forging Sales	226,294,158.34
FAW Jiefang Automotive Company , Ltd. Transmission Company	Forging Sales	12,844,154.45
Harbin Light-duty truck Factory of FAW	Forging Sales	5,231,863.60
Changchun Gear Factory of FAW CAR Co., Ltd.	Forging Sales	4,470,989.77
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Forging Sales	1,596.98
FAW Volkswagen Automobile Co., Ltd.	Materials Sales	524,803.00
Tianjin FAW XIALI Automobile Co., Ltd	Forging Sales	3,345,979.96
Total		252,713,546.10

② Procurement and Labor Received

Related Parties	Related Transaction	Transaction Amount
FAW Power Energy Branch Company	Procurement of kinetic energy	60,397,695.88
Warehouse Centre of FAW	Storage charge	1,407,332.00
FAW Jiefang Automobile Co., Ltd.	Quality compensation	1,540,326.40
Qiming Information Technology Co., Ltd	Technology transfer fee	46,200.00
Qiming Information Technology Co., Ltd	Software engineering services	450,600.00
Inspection Center of FAW	Testing services	371,182.40
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	Labor received	18,364.32
FAW Volkswagen Automobile Co., Ltd.	Network rental fee	5,760.00
Total		64,237,461.00

③ Amount receivable from and payable to related parties

Enterprise Name	31 December 2012	
	Amount	Proportion
Notes Receivable		
FAW Jiefang Automobile Co., Ltd.	936,000.00	5.09%
Engine Branch Company of FAW Jiefang Automobile Co., Ltd.	150,000.00	0.82%
Tianjin FAW XIALI Automobile Co., Ltd	510,000.00	2.78%
Harbin Light-duty truck Factory of FAW	200,000.00	1.09%
FAW Volkswagen Automobile Co., Ltd.	2,320,000.00	12.63%
Total	4,116,000.00	22.41%
Accounts Receivable		
FAW Jiefang Automobile Co., Ltd.	31,912,051.88	20.43%
FAW Jiefang Automotive Company , Ltd. Transmission Company	6,533,025.74	4.18%
Harbin Light-duty truck Factory of FAW	2,742,545.47	1.76%
Changchun Gear Factory of FAW CAR Co., Ltd.	2,241,452.89	1.43%
Tianjin FAW XIALI Automobile Co., Ltd	1,408,635.48	0.90%
FAW JieFang Automotive Co.,Ltd-Special vehicle Branch	1,238,455.73	0.79%
Axle Branch Company FAW Jiefang Automobile Co., Ltd.	913,206.39	0.58%
Wuxi Diesel Oil Branch Company of FAW Jiefang Automobile Co., Ltd.	120,181.48	0.08%
FAW Volkswagen Automobile Co., Ltd.	26,935.14	0.02%
Engine Branch Company of FAW Jiefang Automobile Co., Ltd.	19,494.27	0.01%
Technical Centre of FAW	15,472.08	0.01%
Total	47,171,456.55	30.19%

Enterprise Name	31 December 2012	
Accounts Payable		
FAW Power Energy Branch Company	7,708,165.67	4.10%
FAW Foundry Co., Ltd. Foundry Model & Tooling Plant.	380,309.95	0.20%
Warehouse Centre of FAW	724,447.95	0.38%
Inspection Center of FAW	371,182.40	0.20%
Qiming Information Technology Co., Ltd	187,000.00	0.10%
Total	9,371,105.97	4.98%
Advance From Customers		
FAW Import & Exports Corporation	6,161.35	0.22%
Other Payables		
China FAW Corporation Limited	12,418,129.00	74.03%

VIII. Contingent matters

The company has no undisclosed significant insured matters.

IX. Significant commitment

The company has no undisclosed significant commitment.

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

The Adjustment table of the Taxable Income for 2012

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

Adjusted items	Reasons	Relative regulations	Taxable income(+/-)
Provision for bad debt	No pre-tax deduction is approved with provision for bad debt.	The tax law of China	3,268,742.27
Business and entertainment	The 40% of business and entertainment can not be deducted.	The tax law of China	318,835.65
Common reserve fund	Over the 12% of the total wage cannot be deducted.	The tax law of China	7,243,440.00
Other Payables-Accrued expenses	No pre-tax deduction is approved with no invoice by the tax law.	The tax law of China	3,717,974.57
Compensation for working injuries	The amount above Social security compensation standards cannot be deducted	The tax law of China	679,796.71
Adjustment of deprecation	The depreciation of the increasing original value of the sales and leaseback services cannot be deducted	The tax law of China	570,000.00
Other	No pre-tax deduction is approved with no invoice by the tax law.	The tax law of China	51,290.28
Estimation of inventories	The invoice of the estimated inventories has reached 2012 should be deducted	The tax law of China	-8,881,345.03
Other Payables-Accrued expenses	The invoices of interest and costs have reached 2012,whose amounts are accounted in 2011 should be deducted	The tax law of China	-983,979.17
Net increase of taxable income	(1)		5,984,755.28
Total profit before adjustment	(2)		-72,887,763.16
Less: uncovered losses of prior year	(3)		99,680,170.49
Taxable income after adjustment	(1)+(2)-(3)		-166,583,178.37
Deficits which is coverable in the future			-159,715,553.57

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

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Bharat Forge America Inc.

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani Mr. A. B. Kalyani Mr. S. E. Tandale Mr. S. G. Joglekar	2807, South M.L.K. Jr. Blvd. Lansing, Michigan 48910 U.S.A.	Plate & Moran, PLLC, 1111, Michigan Ave, East Lansing, Michigan 48823, U.S.A.

Independent Auditor's Report

To the Board of Directors
Bharat Forge America, Inc.

We have audited the accompanying 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, 2012 and 2011 and the related statements of operations, stockholder's equity (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, 2012 and 2011 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 Matter

As described in Note 10 to the financial statements, on May 2, 2013, the Company sold substantially all of its assets and plans to wind down operations. Our opinion is not modified with respect to this matter.

May 3, 2013

Bharat Forge America Inc.

Balance Sheet as on 31st December, 2012

			As at 31/12/2011
	Rs.	USD	USD
Assets			
Current Assets			
Cash and cash equivalents	79,368,199	1,448,925	267,157
Trade Accounts receivable	46,758,122	853,604	3,113,571
Inventories (Note 2)	155,836,489	2,844,910	3,716,181
Prepaid expenses and other current assets	11,029,738	201,356	272,693
Total current assets	292,992,548	5,348,795	7,369,602
Property, Plant, and Equipment - Net (Note 3)	-	-	11,289,236
Deferred Financing Charges - Net	2,917,549	53,262	90,858
Assets held for sale (Note 3)	546,179,308	9,970,906	-
Total assets	**842,089,405**	**15,372,963**	**18,749,696**
Liabilities and Stockholder's Equity			
Current Liabilities			
Trade accounts payable	44,765,543	817,228	2,754,375
Bank line of credit (Note 4)	211,925,431	3,868,855	3,868,855
Current portion of long-term debt (Note 5)	245,928,604	4,489,608	1,545,561
Related party note payable (Note 8)	93,121,410	1,700,000	1,700,000
Accounts payable - Related Party (Note 8)	-	-	1,879,957
Accrued liabilities:			
Accrued compensation	9,492,084	173,285	177,621
Accrued interest (Note 8)	5,729,103	104,589	56,062
Customer deposits & advances	251,975,580	4,600,000	-
Other accrued liabilities	5,578,246	101,835	117,017
Total current liabilities	868,516,001	15,855,400	12,099,448
Long-Term Debt - Net of current portion (Note 5)	8,469,557	154,618	4,644,226
Stockholder's Equity	(34,896,153)	(637,055)	2,006,022
Total liabilities and stockholder's equity	**842,089,405**	**15,372,963**	**18,749,696**

Statement of Operations for the period ended December 31, 2012

			Previous Year
	Rs.	USD	USD
Sales and Other Revenue	1,119,801,608	20,442,804	26,708,947
Cost of Sales	1,159,856,194	21,174,030	28,257,878
Gross Profit	(40,054,586)	(731,226)	(1,548,931)
Selling and Administrative Expenses	118,176,054	2,157,391	2,817,802
Operating Loss	(158,230,640)	(2,888,617)	(4,366,733)
Non operating Income (Expense)			
Other income	5,723,461	104,486	181,433
Interest expense	(29,579,906)	(540,003)	(598,499)
Gain on extinguishment of related party accrued interest (Note 9)	-	-	-
Total nonoperating income (expense)	(23,856,445)	(435,517)	(417,066)
Net Loss	**(182,087,085)**	**(3,324,134)**	**(4,783,799)**

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 , 2011	55	1	1,183,003,218	21,596,596	(1,018,379,465)	(18,591,268)	164,623,808	3,005,329
Additional Capital Contributed	-	-	207,304,254	3,784,492	-	-	207,304,254	3,784,492
Net Loss	-	-	-	-	(262,043,593)	(4,783,799)	(262,043,593)	(4,783,799)
Balance December 31 , 2011	55	1	1,390,307,472	25,381,088	(1,280,423,058)	(23,375,067)	109,884,469	2,006,022
Additional Capital Contributed (Note 8)	-	-	37,306,463	681,057	-	-	37,306,463	681,057
Net Loss	-	-	-	-	(182,087,085)	(3,324,134)	(182,087,085)	(3,324,134)
Balance December 31 , 2012	55	1	1,427,613,935	26,062,145	(1,462,510,143)	(26,699,201)	(34,896,153)	(637,055)

Bharat Forge America Inc

Statement of Cash Flow for the period ended December 31 , 2012

	Rs.	USD	Previous Year USD
Cash Flow from Operating Activities			
Net Loss	(182,087,085)	(3,324,134)	(4,783,799)
Adjustments to reconcile net loss to net cash fom Operating Activities :			
Depreciation	69,343,077	1,265,909	1,445,450
(Gain) Loss On Disposal of property and equipment	280,460	5,120	139,487
Bad Debt Expense	289,772	5,290	(23,256)
Amortisation of Deferred Financing charges	2,059,407	37,596	97,908
Changes in operating assets and liabilities which provided (used) cash :			
Account Receivable	123,505,118	2,254,677	(804,870)
Inventory	47,725,873	871,271	(1,631,900)
Reimbursable Tooling and Production costs	-	-	65,173
Prepaid expense and other assets	3,907,648	71,337	(207,981)
Accounts Payable	(192,555,739)	(3,515,247)	1,385,557
Deferred tooling revenue	-	-	(279,989)
Accrued and other liabilities	1,589,035	29,009	39,730
Customer deposits & advances	251,975,580	4,600,000	-
Net cash (used in) provided by operating acitivties	126,033,146	2,300,828	(4,558,490)
Cash Flow from Investing Acitivities			
Purchase of property, plant and equipment	(9,292,914)	(169,649)	(1,713,315)
Proceeds from disposition of property, plant and equipment	11,883,935	216,950	145,925
Net cash used in financing activity	2,591,021	47,301	(1,567,390)
Cash Flow from Financing Acitivities			
Proceeds from debt	-	-	5,748,599
Payments on debt	(84,661,659)	(1,545,561)	(35,093)
Payments of financing charges	-	-	(19,500)
Contribution of additional Paid- up Capital	20,771,552	379,200	-
Net cash provided by financing activities	(63,890,107)	(1,166,361)	5,694,006
Net (Decrease) Increase in Cash and Cash Equivalents	64,734,060	1,181,768	(431,874)
Cash and Cash Equivalents - Beginning of Year	14,634,139	267,157	699,031
Cash and Cash Equivalents - End of Year	79,368,199	1,448,925	267,157
Supplemental Cash Flow Information			
Cash paid for Interest	26,921,728	491,476	582,652

Note 1 - Nature of Business and Significant Accounting Policies

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

Production activities ceased in December 2012. All production activities are scheduled to be absorbed by overseas related party plants, after which, management plans to liquidate the Company's U.S. facility. See Note 11 for additional details.

Major Customers - Sales indirectly to General Motors through Lemforder Corporation were $7,558,000 and $9,150,000 for the years ended December 31, 2012 and 2011, respectively, and the amount due from Lemforder Corporation included in accounts receivable at December 31, 2012 and 2011 was $5,000 and $909,000, respectively. Sales to Mahle, Inc. were $1,854,000 and $7,026,000 for the years ended December 31, 2012 and 2011, respectively, and the amount due from Mahle, Inc. included in accounts receivable at December 31, 2011 was $436,000. There were no accounts receivable due from Mahle, Inc. 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 and 2011.

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

Pre-production Costs - The Company accounts for pre-production design, development, and tooling costs incurred in connection with long-term supply arrangements based on the nature of the reimbursement arrangement with the customer. Pre-production tooling costs incurred in excess of reimbursement received for tooling the Company owns are capitalized and amortized over the term of the related supply agreement. The Company did not incur any pre-production costs during the years ended December 31, 2012 and 2011 on tools that the Company did not own.

The Company collected approximately $217,000 and $150,000 of tooling reimbursements for tooling orders during the years ended December 31, 2012 and 2011, respectively.

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

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

No impairment losses were recorded during the years ended December 31, 2012 and 2011.

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.

Note 2 - Inventories

Inventory consists of the following at December 31, 2012 and 2011:

	2012	**2011**
Raw materials	$ 8,105	$ 1,415,419
Work in progress	1,872,312	1,929,192
Finished goods	964,493	371,570
Total inventory	$ 2,844,910	$ 3,716,181

Note 3 - Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	2012	2011	Depreciable Life - Years

Land	$ -	$ 254,473	-
Buildings	-	371,395	7-40
Building improvements	-	1,552,993	3-10
Machinery and equipment	-	16,842,808	2-10
Production tools and dies	-	1,411,657	3-5
Transportation equipment	-	62,118	5
Furniture and fixtures	-	143,968	3-5
Computer equipment and software	-	112,142	3-5
Construction in progress	-	406,850	-
Total cost	-	21,158,404	
Accumulated depreciation and impairment	-	9,869,168	
Net property, plant, and equipment	$ -	$ 11,289,236	

Depreciation expense on property, plant, and equipment was $1,265,909 and $1,445,450 for the years ended December 31, 2012 and 2011, 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. Assets classified as held for sale in the accompanying financial statements were sold subsequent to year end (see Note 10).

Note 4 - Line of Credit

Under a line of credit agreement with a bank, the Company has available borrowings of $3,900,000. The Company is not allowed to re-borrow any amounts repaid. Interest is payable in semiannual installments at the six-month LIBOR plus 4 percent (an effective rate of 4.74 percent as of December 31, 2012). The line matures in June 2013; however, at the discretion of the bank, the line may be renewed for an additional one-year period. The line of credit is cross-defaulted and cross-collateralized with all Company debt. The Company had borrowed $3,868,855 against its line of credit as of December 31, 2012 and 2011.

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

Note 5 - Long-term Debt

Long-term debt at December 31, 2012 and 2011 is as follows:

	2012	2011
Term loan to a bank, payable in semiannual installments of $1,500,000 beginning November 30, 2012. Interest is 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 is collateralized by	$ 4,440,032	$ 5,940,032

substantially all assets of the Company and matures in May 2014		
Other	204,194	249,755
Total	4,644,226	6,189,787
Less current portion	4,489,608	1,545,561
Long-term portion	$ 154,618	$ 4,644,226

The balance of the above debt matures as follows:

2013	$ 4,489,608
2014	53,944
2015	58,697
2016	41,977
Total	$ 4,644,226

In conjunction with the bank term note and the line of credit arrangement discussed in Note 4, the Company is subject to various financial and general business covenants, including a minimum net worth and requirements for additional capital infusions. At December 31, 2012, the Company was not in compliance with certain of these covenants; however, subsequent to year end, the credit agreement was amended and the Company is in compliance with the covenants in the amended agreement.

The Company's parent, Bharat Forge, Ltd., has executed an indemnity agreement with the bank guaranteeing payment of all amounts borrowed under the credit agreement.

Note 6 - Income Taxes

The components of the income tax provision included in the statement of operations are attributable to continuing operations and relate entirely to changes in estimates of deferred income tax amounts recoverable. A valuation allowance was recorded for the full amount of the net deferred tax assets as of December 31, 2012 and 2011.

The income tax provision for 2012 and 2011 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:

	2012	2011
Total deferred tax liabilities	$ (2,207,000)	$ (2,418,000)
Total deferred tax assets	11,131,000	10,117,000
Valuation allowance recognized for deferred tax assets	(8,924,000)	(7,699,000)
Net deferred tax asset	$ -	$ -

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

In assessing whether the Company will realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets resulting from the net operating loss will expire. Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. The Company has loss carryforwards for tax purposes of approximately $28,486,000 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, 2012 and 2011, 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, 2012 and 2011.

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 2008.

Note 7 - Common Stock

Common stock consists of 3,000 authorized shares of $.01 par value stock. As of December 31, 2012 and 2011, 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 - At December 31, 2011, the Company had accounts payable to its Parent, Bharat Forge, Ltd. (BFL), totaling $1,879,957, for inventory purchases and advances related to an agreement for the reimbursement of payroll costs associated with several Company employees. At December 31, 2012, BFL forgave the outstanding balance of accounts payable totaling $301,857. 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' Euribor plus 250 bps p.a., for an effective rate of 2.69 percent at December 31, 2012. The note payable is subordinated to the amounts borrowed under the credit agreement disclosed in Notes 4 and 5. At December 31, 2012, the outstanding balance on the loan was $1,700,000. During January of 2013, CDP forgave the entire outstanding balance, including all accrued interest.

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

During the year ended December 31, 2012, the Company borrowed $379,200 from its parent, Bharat Forge, Ltd. (BFL). Effective December 31, 2012, BFL 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 years ended December 31, 2012 and 2011 was approximately $52,000 and $115,000, respectively.

Purchases - For the year ended December 31, 2011, the Company had purchases from affiliates totaling $502,925. There were no purchases from affiliates for the year ended December, 31, 2012.

Note 9 - Cash Flows

During 2012, the Company converted related party accounts payable to equity in the amount of $301,857 (see Note 8). During 2011, the Company converted a related party note payable to equity in the amount of $3,784,492 (see Note 8).

Note 10 - Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 3, 2013, which is the date the financial statements were available to be issued.

On May 2, 2013, the Company sold all assets classified as held for sale in the accompanying financial statements.

Note 11 - Management's Plans

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, as a result of industry factors, sales volumes have decreased significantly and the Company has sustained substantial net losses in recent years ($3,324,134 for the year ended December 31, 2012 and $4,783,799 for the year ended December 31, 2011). 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, and the ability of the Company to reduce operating costs.

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

- The Company plans to discontinue its operations as a manufacturing facility. Current manufacturing operations will cease and will be absorbed by overseas plants of the Company's parent, Bharat Forge, Ltd. (BFL).
- The Company plans to liquidate all property, plant, and equipment related to the manufacturing process (see Note 10), collect outstanding accounts receivable, and liquidate the remaining inventory and use the proceeds to repay the Company's outstanding obligations as they come due. Total proceeds from the sale of fixed assets, collections of receivables, and sale of inventory are projected to exceed the outstanding balance of the Company's outstanding obligations.

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 2013

The directors present their report and financial statements for the year ended 31 March 2013. The comparatives included in these financial statements are for the period ended 31 March 2012.

Principal activities and review of the business
The principal activity of the company was that of the distribution of forged and machined components for the auto industry. The financial statements have been prepared in US Dollars.

Review of the business
The company has invested in establishing a sound base from which it will trade and develop it's client base over the coming year.

Inspite of the weak global market scenario, the company was able to add new customers and increase the volume of business with its existing customer base, which has resulted in increase in turnover for the Company to US$ 105 million during the year. In light of increase in activity, the Company has generated healthy profits and cash flows.

The directors are of the opinion that the key performance indicator for this business is the growth in turnover and the Company is focusing on obtaining additional customers while at the same time continuing to development business with the new customers added in the current year.

The Company is targeting to achieve turnover of $125 million in the year 2013-14.

The company has the continued support of the Bharat Forge Group to achieve its objectives and the company will manage the risks facing the business, which are considered to be logistic risks and credit risks in accordance with the group's policies. All companies within this market are exposed to these risks and the directors are of the opinion that these risks have been managed appropriately during the year.

Results and dividends

The results for the year are set out on page 5.

Directors

The following directors have held office since 1 April 2012:

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.

BHARAT FORGE INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

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.
They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

S G Joglekar
Director
14 May 2013

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 2013 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BHARAT FORGE INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BHARAT FORGE INTERNATIONAL LIMITED

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

16 May 2013

Chartered Accountants
Statutory Auditor

Grenville Court
Britwell Road
Burnham
Bucks
SL1 8DF

Bharat Forge International Limited

Profit and Loss Account
for the year ended 31st March,2013

	Notes	Year ended 31st March 2013 Rs.	USD	Previous Year USD
Turnover	2	5,739,547,765	105,527,149	19,583,089
Cost of sales		(5,613,773,977)	(103,214,676)	(19,182,812)
Gross profit		125,773,788	2,312,473	400,277
Administrative expenses		(55,969,364)	(1,029,051)	(1,104,174)
Operating loss	3	69,804,424	1,283,422	(703,897)
Other interest receivable & similar income		3,443,006	63,303	-
Interest payable and similar charges	4	(5,660,458)	(104,073)	(14,638)
Loss on ordinary activities before taxation		67,586,972	1,242,652	(718,535)
Tax on loss on ordinary activities	5	(16,679,132)	(306,662)	186,662
Loss for the period	12	**50,907,840**	**935,990**	**(531,873)**

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account

Bharat Forge International Limited

Balance Sheet
As at 31st March 2013

	Notes	2013		2013		2012	
		Rs.	Rs.	USD	USD	USD	USD
Fixed assets							
Tangible assets	6		4,927,996		90,606		119,143
Current assets							
Stocks	7	2,620,159,384		48,174,170		26,485,286	
Debtors	8	831,538,645		15,288,644		6,547,268	
		3,451,698,029		63,462,814		33,032,554	
Creditors : amount falling due within one year	9	(3,428,947,801)		(63,044,529)		(33,578,796)	
Net current liabilities			22,750,228		418,285		(546,242)
Total assets less current liabilities			27,678,224		508,891		(427,099)
			27,678,224		**508,891**		**(427,099)**
Capital and reserves							
Called up share capital	11		5,698,586		104,774		104,774
Profit and loss account	12		50,907,840		404,117		(531,873)
Shareholders funds	13		**56,606,426**		**508,891**		**(427,099)**

Approved by the Board and authorised for issue on 14 May 2013

S G Joglekar
Director

Company Registration No. 07459638

Bharat Forge International Limited

Cash flow statement
for the year ended 31st March,2013

	Year ended 31st March 2013				Previous Year	
	Rs.	Rs.	USD	USD	USD	USD
Net cash flow from operating activities		(290,522,023)		(5,341,529)		(2,060,264)
Returns of investments and servicing of finance						
Interest paid	5,660,458		104,073		14,638	
Net cash outflow for returns on investments and servicing of finance		5,660,458		104,073		14,638
Capital expenditure						
Payments to acquire tangible assets	154,357		2,838		146,465	
Net cash outflow for capital expenditure		154,357		2,838		146,465
Net cash outflow before management of liquid resources and financing		(296,336,838)		(5,448,440)		(2,221,367)
Financing						
Issue of ordinary share capital	-		-		104,774	
Net cash inflow / (outflow) from financing		-		-		104,774
Decrease in cash in the year		(296,336,838)		(5,448,440)		(2,116,593)

Notes to cash flow statement for the year ended 31st March 2013

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

	2013			2012
	Rs.	USD		USD
Operating (loss) / profit	69,804,424	1,283,422		(703,897)
Depreciation of tangible assets	1,706,464	31,375		27,322
(Increase)/ decrease in stocks	(2,620,159,384)	(21,688,884)		(26,485,286)
Increase in debtors	(482,146,731)	(8,864,735)		(6,360,606)
Increase in creditors within one year	1,299,757,038	23,897,293		31,462,203
Net cash outflow from operating activities	(1,731,038,189)	(5,341,529)	-	(2,060,264)

B Analysis of net debt

	1 April 2012	Cash flow	other non cash changes	31 March 2013
Net Cash				
Bank overdraft in USD	(2,116,593)	(5,448,440)	-	(7,565,033)
Bank overdraft in INR	(115,120,012)	(296,336,838)		(411,456,849)
Bank deposits	-	-	-	-
Net debt in USD	**(2,116,593)**	(5,448,440)	-	(7,565,033)
Net debt in INR	(115,120,012)	(296,336,838)		(411,456,849)

C Reconciliation of net cash flow to movement in net debt

	2013		2012
	Rs.	USD	USD
Decrease in cash in the year	(296,336,838)	(5,448,440)	(2,116,593)
Movement in net debt in the year	(296,336,838)	(5,448,440)	(2,116,593)
Opening net debt	(115,120,012)	(2,116,593)	-
Closing net debt	(411,456,850)	(7,565,033)	(2,116,593)

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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.

Profit/Loss on sale of investment is recognised on contract date.

1.4 Tangible fixed assets and depreciation

Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. Fixed Assets are shown net of accumulated depreciation and amortisation, as follows:

Plant and machinery	33% Straight line
Fixtures, fittings & equipment	20% Straight line
Motor vehicles	20% Straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Cost of Inventories have been computed to include all cost of Purchases and Other Costs incurred in bringing the inventories to their present location and condition.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

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	
	2013	**2012**
	$	**$**
United States of America	75,574,156	19,583,089
Europe	22,427,751	-
United Kingdom	7,525,242	-
	105,527,149	19,583,089

3 Operating profit/(loss)

	2013	**2012**
	$	**$**
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	31,375	27,322
Loss on foreign exchange transactions	66,312	-
Operating lease rentals	229,564	160,835
Profit on foreign exchange transactions	-	(35,589)
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

	2013	**2012**
	$	**$**
Other interest	63,303	-

5 Interest payable

	2013	**2012**
	$	**$**
On bank loans and overdrafts	104,073	13,330
On other loans	-	1,308
	104,073	14,638

BHARAT FORGE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

6	Taxation	2013	2012
		$	$
	Domestic current year tax		
	U.K. corporation tax	120,000	-
	Total current tax	120,000	-
	Origination and reversal of timing differences	186,662	(186,662)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	1,242,652	(718,535)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.00% (2012 - 26.00%)	298,236	(186,819)
	Effects of:		
	Non deductible expenses	7,412	2,538
	Capital allowances in excess of depn	-	(16,838)
	Tax losses available to carry forward or group relieved	-	201,119
	Tax losses utilised	(185,648)	-
		(178,236)	186,819
	Current tax charge for the year	120,000	-

The company has estimated losses of $ nil (2012 - $ 773,534) available for carry forward against future trading profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	$	$	$	$
Cost				
At 1 April 2012	72,234	11,760	62,471	146,465
Additions	2,838	-	-	2,838
At 31 March 2013	75,072	11,760	62,471	149,303
Depreciation				
At 1 April 2012	10,293	2,344	14,685	27,322
Charge for the year	15,952	2,929	12,494	31,375
At 31 March 2013	26,245	5,273	27,179	58,697
Net book value				
At 31 March 2013	48,827	6,487	35,292	90,606
At 31 March 2012	61,941	9,416	47,786	119,143

8 Stocks

	2013	2012
	$	$
Finished goods, goods for resale and stock in transit	48,174,170	26,485,286

9 Debtors

	2013 $	2012 $
Trade debtors	9,016,627	5,920,524
Amounts owed by parent and fellow subsidiary undertakings	5,733,187	-
Other debtors	178,855	162,268
Prepayments and accrued income	359,975	277,814
Deferred tax asset (see note)	-	186,662
	15,288,644	6,547,268

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

	2013 $	2012 $
Amounts owed by group undertakings	3,797,325	-
Other debtors	158,272	24,464
	3,955,597	24,464

10 Creditors: amounts falling due within one year

	2013 $	2012 $
Bank loans and overdrafts	7,565,033	2,116,593
Trade creditors	514,755	-
Amounts owed to parent and fellow subsidiary undertakings	54,600,545	31,070,133
Corporation tax	120,000	-
Other taxes and social security costs	12,560	15,309
Other creditors	153,925	204,530
Accruals and deferred income	77,711	172,231
	63,044,529	33,578,796

The company's bankers, National Westminster Bank Plc, hold security over all the company's assets (present, future, actual or contingent and whether incurred alone or jointly with another) including interest and expenses.

11 Share capital

	2013 $	2012 $
Allotted, called up and fully paid		
64,000 Ordinary shares of £1 each	104,774	104,774

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

12 Statement of movements on profit and loss account

	Profit and loss account
	$
Balance at 1 April 2012	(531,873)
Profit for the year	935,990
Balance at 31 March 2013	404,117

13 Reconciliation of movements in shareholders' funds

	2013	2012
	$	$
Profit/(Loss) for the financial year	935,990	(531,873)
Proceeds from issue of shares	-	104,774
Net addition to/(depletion in) shareholders' funds	935,990	(427,099)
Opening shareholders' funds	(427,099)	-
Closing shareholders' funds	508,891	(427,099)

14 Financial commitments

At 31 March 2013 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2014:

	Land and buildings	
	2013	2012
	$	$
Operating leases which expire:		
Within one year	-	111,801

15 Employees

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

	2013 Number	2012 Number
Administration	7	4

Employment costs	**2013 $**	**2012 $**
Wages and salaries	350,615	497,035
Social security costs	32,036	56,716
	382,651	553,751

16 Control

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

17 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

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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. B. P. Singh	New Delhi - 110 001.	C37, Connaught Place,
Mr. N. N. Misra		New Delhi 110 001.
Mr. S. C. Pandey		
Mr. S. K. Chaturvedi		

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2012 up to March 31, 2013.

FINANCIAL HIGHTLIGHTS

During the financial year company has incurred a net Profit (loss) of Rs. (8384935). The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2013	As on March 31, 2012
Net Sales	NIL	NIL
Other Income	1,24,042	12,31,119
Total Revenue	1,24,042	12,31,119
Employee Benefits Expenses	35,42,111	92,35,394
Operating and Other Expenses	44,95,158	1,63,22,070
Total Expenses	80,37,269	2,55,57,464
PBDIT	(79,13,227)	(2,43,26,345)
Depreciation/Amortization	4,71,708	5,25,615
PBIT	**(83,84,935)**	**(2,48,51,960)**
Current Tax	NIL	NIL
PAT	(83,84,935)	(2,48,51,960)
Net Profit/(Loss)	(83,84,935)	(2,48,51,960)
Basic and Diluted Earnings Per Share	(0.70)	(2.07)

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, 2013.

BACKGROUND AND REVIEW OF ACTIVITIES

- **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 11th Plan period was 74374 MW (including renewable) and 94,215 MW (including renewable) during the 12th 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.

The Company with the support of consultant, Deloitte 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 Development in power sector:**
  In the intervening period (after the Board approval of May 2011) 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.

  In view of a major slump in the activities of the power sector within the Country, we are undertaking a comprehensive review of the business case of the Company to decide the further course of actions.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sunil Kumar Chaturvedi and Mr. Narendra Nath Misra, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

MANAGER

The Board of Directors of the Company in their meeting held on March 21, 2013 has appointed Mr. Tushar Vasantrao Mane as the Manager of the Company for a period of three years with effect from March 21, 2013 up to March 20, 2016

Mr. Mane shall be entitled to an all inclusive remuneration of Rs.15,50,000/- (Rupees Fifteen Lac Fifty Thousand 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. Mane is further approved by Remuneration Committee in its meeting held on March 21, 2013.

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, 2013, 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, 2013;

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, 2013 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(l)(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 for building and developing the business of the company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: New Delhi	**Sunil Kumar Chaturvedi**	**Mr. Narendra Nath Misra**
Date: May 8, 2013	**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, 2013:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2012-2013

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 8, 2013	**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, 2013, 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

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"). 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. 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, 2013;
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;
   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.
   f. Since, the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

Vijay Dhawan

Partner

Membership No. 12565

Place: New Delhi

Date: May 8, 2013

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) There are no disposals during the year. Accordingly, clause 4(i) (c) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(ii) The Company does not have any inventory. Accordingly, clauses 4(ii) (a), (b) and (c) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable.

(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 is in the process of formulating a departmentally organized internal audit system so as to make it commensurate with the size and nature of the Company's business.

(viii) 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 Company has been registered for a period of less than five years accordingly provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xi) According to the information and explanations given to us the Company, the Company has not borrowed any funds from any financial institution or bank during the year, clauses 4(xi) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company has not taken any term loan during the year.

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

(xviii) The Company has not made any preferential allotment of shares to any parties during the year.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed by us, to the best of our knowledge and belief and according to the information and explanations given to us by the management, no fraud on, or by the Company has been noticed or reported during the year.

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

Vijay Dhawan
Partner
Membership No. 12565

Place: New Delhi
Date: May 8, 2013

BF-NTPC ENERGY SYSTEMS LIMITED
BALANCE SHEET AS AT MARCH 31, 2013

	Notes	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	120,000,000	120,000,000
Reserves and surplus	2	(60,403,554)	(52,018,620)
		59,596,446	**67,981,380**
Non-current liabilities			
Long-term provisions	5	134,077	70,144
Other non-current liabilities	4	18,381	-
		152,458	**70,144**
Current liabilities			
Trade Payables	3	1,293,535	1,830,849
Other current liabilities	4	1,255,112	884,523
Short-term provisions	5	174,724	132,622
		2,723,371	**2,847,994**
Total		**62,472,275**	**70,899,518**
ASSETS			
Non-current assets			
Fixed assets	6	61,490,050	61,331,158
-Tangible Assets		61,490,050	61,331,158
-Intangible Assets		-	-
Long-term loans and advances	7	132,127	468,069
		61,622,177	**61,799,227**
Current assets			
Cash and cash equivalents	9	839,536	8,123,261
Short-term loans and advances	7	10,562	925,467
Other assets	8	-	51,563
		850,098	**9,100,291**
Total		**62,472,275**	**70,899,518**
Significant accounting policies	14		
Other Notes to Account	15 to 23		

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 8, 2013

BF-NTPC ENERGY SYSTEMS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Notes	Year Ended March 31, 2013 Amount in Rs.	Year Ended March 31, 2012 Amount in Rs.
Income			
Other income	10	124,042	1,231,119
Total Revenue (I)		**124,042**	**1,231,119**
Expenses:			
Employee benefits expense	11	3,542,111	9,235,394
Other expenses	12	4,495,158	16,322,070
Depreciation expense	6	471,708	525,615
Total (II)		**8,508,977**	**26,083,079**
Profit / (Loss) before tax (I) - (II)		(8,384,935)	(24,851,960)
Current income tax		-	-
Income tax adjustment for prior years		-	-
		-	-
Net Profit / (Loss) for the year		**(8,384,935)**	**(24,851,960)**
Earning per share (Refer Note 14(k) and 22)			
Basic & Diluted [Nominal Value of shares of Rs. 10 (Previous year Rs. 10)]		(0.70)	(2.07)
Significant accounting policies	14		
Other Notes to Account	15 to 23		

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 8, 2013

BF-NTPC ENERGY SYSTEMS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	Notes	Year Ended March 31, 2013 Amount in Rs.	Year Ended March 31, 2012 Amount in Rs.
Cash flow from operating activities			
Loss as per Statement of Profit and Loss		(8,384,935)	(24,851,960)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation		471,708	525,615
Interest received		(114,779)	(1,231,119)
Operating profit before Working Capital Changes		**(8,028,006)**	**(25,557,464)**
Movements in working capital :			
Increase/(decrease) in other current liabilities		(124,623)	(8,556,539)
Increase/(decrease) in other long term liabilities		82,314	70,144
Decrease / (increase) in short-term loans and advances		914,905	(578,045)
Decrease / (increase) in other assets		51,563	941,371
Decrease / (increase) in long term assets		335,943	452,398
Net cash flow used in operating activities	**(A)**	**(6,767,904)**	**(33,228,135)**
Cash flows from investing activities			
Purchase of fixed assets		(630,600)	(2,879,998)
Interest received		114,779	1,231,119
Net cash flow used in investing activities	**(B)**	**(515,821)**	**(1,648,879)**
Net cash flow used in financing activities	**(C)**	**-**	-
Net increase/(decrease) in cash and cash equivalents (A + B + C)		(7,283,725)	(34,877,014)
Cash and cash equivalents at the beginning of the year		8,123,261	43,000,275
Cash and cash equivalents at the end of the year		**839,536**	**8,123,261**
Components of cash and cash equivalents			
Cash on hand		820	68
Imprest Account		-	11,594
Balances with banks:		-	-
- On current accounts		838,716	1,611,599
- Deposits		-	6,500,000
Total cash and cash equivalents (Note 9)		**839,536**	**8,123,261**

Significant accounting policies 14
Other Notes to Account 15 to 23
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 8, 2013

	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 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 outstandinq at the beqinninq and at the end of the reporting period
Equity shares

	March 31, 2013		March 31, 2012	
	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	-	-	-	-
Outstandinq at the end of the period	12,000,000	120,000,000	12,000,000	120,000,000

b. Terms and riqhts attached to equity shares

(i) The Company has only one class of equity shares having a par value of 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 holdinq company and/or their subsidiaries/associates

	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
Bharat Forge Limited, Holding Company 6,120,000 Equity shares (Previous year 6,120,000) at Rs. 10 each	61,200,000	61,200,000
NTPC Limited, Venturer Company 5,880,000 Equity shares (Previous year 5,880,000) at Rs. 10 each	58,800,000	58,800,000

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

	March 31, 2013		March 31, 2012	
	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, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
2 RESERVES AND SURPLUS		
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(52,018,619)	(27,166,660)
Add: Loss for the year	(8,384,935)	(24,851,960)
Net surplus / (deficit)	**(60,403,554)**	**(52,018,620)**

	Non-current		Current	
	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
3 TRADE PAYABLES				
Sundry Creditors				
: due towards micro and small enterprises (Refer Note 16)	-	-	-	-
: due towards others	-	-	1,293,535	1,830,849
	-	-	**1,293,535**	**1,830,849**
4 OTHER LIABILITIES				
Statutory liabilities	-	-	37,969	393,486
Other liabilities	18,381	-	1,217,143	491,037
	18,381	**-**	**1,255,112**	**884,523**

	Long-term		Short-term	
	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
5 PROVISIONS				
(Refer Note 14(g) and 21)				
Provision for gratuity	134,077	70,144	-	-
Provision for leave encashment	-	-	174,724	132,622
	134,077	**70,144**	**174,724**	**132,622**

BF-NTPC ENERGY SYSTEMS LIMITED
NOTES FORMING PART OF THE ACCOUNTS

NOTE - 6

FIXED ASSETS
[Refer Note 14 (c)]

Amount in Rs.

Particulars	Gross Block				Depreciation				Net Block	
	As at April 1, 2012	Additions for the year	Deductions/ Adjustment	As at March 31, 2013	As at April 1, 2012	For the year	Adjustments for the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets										
Freehold Land	59,043,594	630,600	-	59,674,194	-	-	-	-	59,674,194	59,043,594
Information Technology Equipments	577,727	-	-	577,727	291,753	114,388	-	406,141	171,586	285,974
Furniture & Fixtures	3,490,671	-	-	3,490,671	1,608,435	340,685	-	1,949,120	1,541,551	1,882,236
Office Equipment	162,169	-	-	162,169	42,815	16,635	-	59,450	102,719	119,354
Total	**63,274,161**	**630,600**	**-**	**63,904,761**	**1,943,003**	**471,708**	**-**	**2,414,711**	**61,490,050**	**61,331,158**
Previous year	60,394,163	2,879,998	-	63,274,161	1,417,388	525,615	-	1,943,003	61,331,158	58,976,775

	Long-Term		Short-Term	
	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 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	5,000
Advance income-tax (net of provision for taxation)	132,127	468,069	-	-
Security deposit	-	-	-	920,467
	132,127	**468,069**	**10,562**	**925,467**

	Non-current		Current	
	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.	As at March 31, 2013 Amount in Rs.	As at March 31, 2012 Amount in Rs.
8 OTHER ASSETS				
Interest accrued on fixed deposits	-	-	-	51,563
	-	**-**	**-**	**51,563**
9 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	820	68
Imprest Account	-	-	-	11,594
Balances with banks:	-	-	-	-
- On current accounts	-	-	838,716	1,611,599
- Deposits	-	-	-	6,500,000
	-	**-**	**839,536**	**8,123,261**

		Year Ended March 31, 2013 Amount in Rs.	Year Ended March 31, 2012 Amount in Rs.
10	**OTHER INCOME**		
	Interest income on Bank deposits	114,779	1,231,119
	Other interest income	9,263	-
		124,042	**1,231,119**
11	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries, wages and bonus	3,374,093	8,875,696
	Long Term Employee Benefits (Refer Note 21)	165,926	202,766
	Staff welfare expenses	2,092	156,932
		3,542,111	**9,235,394**
12	**OTHER EXPENSES**		
	Rent (Refer Note 20)	2,280,885	2,199,854
	Rates and taxes	5,620	11,140
	Repairs to buildings (leasehold)	510,522	496,871
	Printing & Stationery	18,002	106,385
	Office expenses	-	159,685
	Travelling and conveyance	165,163	3,789,006
	Communication costs	43,393	240,643
	Legal and professional fees	1,168,264	8,490,643
	Auditor's remuneration (Refer Note 18)	119,045	169,235
	Site expenses	45,080	439,649
	Business Promotion	77,727	72,664
	Miscellaneous expenses	61,457	146,295
		4,495,158	**16,322,070**

13. Background

BF-NTPC Energy Systems Limited was incorporated under Indian Companies Act, 1956 vide certificate of Incorporation dated June 19, 2008 and obtained its certificate of commencement of business on August 25, 2008. The Company is intended to operate as a joint venture between Bharat Forge Limited and NTPC Limited wherein the companies hold the equity share capital in the ratio of 51:49 respectively with rights and obligation mutually agreed upon.

14. Significant accounting policies

a. Basis of accounting

Financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies Accounting Standard Rules, 2006, and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reported year. Examples of such estimates include future obligations under employee retirement benefit plans and the useful lives of fixed assets and intangible assets. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from such estimates.

c. Fixed assets and depreciation

i. All fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Company does not treat CENVAT as recoverable asset hence, includes it to fixed assets.

ii. Depreciation on all assets is provided on written down value method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.
Assets costing up to 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.

15. The Company has not commenced its operations as of the balance sheet date. The expenses incurred upto March 31, 2013 are considered as not directly related to the acquisition of an asset and are thus charged to the statement of profit and loss.

16. The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), promulgated by Government of India came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. On the basis of the information sought/received by the Company, no supplier is registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as on March 31, 2013 after the introduction of the said Act. Accordingly, disclosures as laid down in Notification no. 719(E) dated 16 November 2007 issued by the Government of India, Ministry of Corporate Affairs in relation to unpaid amounts to, and interest paid/payable to Micro and Small enterprises have not been given.

17. Expenditure in foreign currency (on accrual basis):

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Rs.	Rs.
Legal and Professional Fees	Nil	154,210
Travelling and Conveyance	Nil	398,344
Total	**Nil**	**552,554**

18. Auditor's Remuneration

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Rs.	Rs.
Statuory Audit Fee	112,360	168,540
Out of pocket expense	6,685	695
Total	**119,045**	**169,235**

19. Related Party Disclosure:

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

Key Managerial Personnel	**Directors :** B.N. Kalyani Amit B. Kalyani Sunil K. Chaturvedi N.N. Misra B.P. Singh S.C. Pandey U.N. Khanna (Till January 31, 2012) **Manager** Tushar V Mane (w.e.f March 21, 2013)
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 :
(Amount in Rs.)

Particulars	Holding Company		Venturer Company		Fellow Subsidiary		Joint Venture of fellow subsidiary		Key Management Personnel		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
B. Transactions during the year												
Addition to land (Consultancy Services And Technical Specification)	-	-	-	**1,309,811**	-	-	-	-	-	-	-	**1,309,811**
NTPC Limited	-	-	-	1,309,811	-	-	-	-	-	-	-	1,309,811
Employee benefit expense	-	-	-	-	-	-	-	-	**43,295**	**3,785,398**	**43,295**	**3,785,398**
Tushar Mane	-	-	-	-	-	-	-	-	43,295	-	43,295	-
U.N. Khanna	-	-	-	-	-	-	-	-	-	3,785,398	-	3,785,398
C. Outstanding balances at the year end												
Balance payable	-	-	**1,178,829**	**1,178,829**	**467,997**	-	**18,381**	-	-	-	**1,645,992**	**1,178,829**
NTPC Limited	-	-	1,178,829	1,178,829	-	-	-	-	-	-	1,178,829	1,178,829
B.F. Infrastructure Limited	-	-	-	-	467,997	-	-	-	-	-	448,782	-
Ferrovia Transrail Solutions Private Limited	-	-	-	-	-	-	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

20. Operating lease:

The Company had taken building on lease for corporate office in NOIDA and site office in Solapur which was vacated with effect from March 15, 2013. Rent recognized during the year 2012-13 amounted to Rs. 2,280,885 (Previous Year Rs. 2,199,854). The total of future minimum lease payments under such leases for the following periods:

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Rs.	Rs.
a. Not later than one year	Nil	2,115,000
b. Later than one year but not later than five years	Nil	2,538,125
c. Later than five years	Nil	Nil
Total	**Nil**	**4,653,125**

21. Retirement and other employee benefits

The Company has made a provision of Rs. 92,779, (Previous Year Rs. 70,144) and Rs. 73,147 (Previous Year Rs. 132,622) towards estimated gratuity and leave encashment respectively for all the employees existing as on March 31, 2013 on the assumption that they shall continue rendering service for 5 years. However, no actuarial valuation has been under taken to estimate the same.

22. Earnings per share

Particulars	Units	Year ended March 31, 2013	Year ended March 31, 2012
Net profit/(Loss) attributable to shareholders	Rs.	(8,384,935)	(24,851,960)
Weighted average number of equity shares in issue	Nos.	12,000,000	12,000,000
Basic earnings per share of Rs. 10 each	Rs.	(0.70)	(2.07)

23. 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 8, 2013

Jagmohan Bijalwan
Company Secretary

BF Infrastructure Limited

Directors	***Registered Office***	***Auditors***
Mr. A. B. Kalyani	Pune Cantonment,	RMA & Associates
Mr. S. K. Chaturvedi	Mundhwa,	Chartered Accountants
Mr. Kishore M Saletore	Pune - 411 036.	R-177, Greater Kailash- I
		New Delhi 110 048.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of the Company and Audited Statement of Accounts for the period from April 1, 2012 up to March 31, 2013.

FINANCIAL HIGHLIGHT

During the financial year company has incurred a net Profit (loss) of Rs. **1,118,767.56**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2013	As on March 31, 2012
REVENUE		
Revenue from operations	NIL	NIL
Other income	5,643,607.02	19,751,422.84
Total Revenue:	**5,643,607.02**	**19,751,422.84**
EXPENSES		
Generation, administration & other expenses	710,097.80	14,386,550.80
Finance costs	114,133.51	1,962,699.72
Depreciation and amortization expense	4,721,807.15	2,633,278.14
Total expenses:	**5,546,038.46**	**18,982,528.66**
Profit before exceptional and extraordinary items & tax	97,568.56	768,894.18
EXCEPTIONAL ITEMS		
Profit before extraordinary items and tax	97,568.56	768,894.18
Extraordinary Items:	NIL	NIL
Profit before tax	97,568.56	768,894.18
TAX EXPENSE		
Current tax	NIL	NIL
Deferred tax	(1,021,199.00)	584,560.00
Profit for the period from continuing operation	1,118,767.56	184,334.18
Profit/ (Loss) from discontinuing operations	NIL	NIL
Tax expense of discontinuing operations	NIL	NIL
Profit/(Loss) from discontinuing operations (after tax)	NIL	NIL
Profit/(Loss) for the period	**1,118,767.56**	**184,334.18**
Basic/ Diluted Earnings / (Loss) per Share	0.14	0.18

Dividend

Since the Company is at nascent stage and the company does not have sufficient distributable profits, no dividend is recommended for the year ended March 31, 2013.

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 has secured an order of 3 X 150 MW Coal Based Power Plant Project from IPCHL in the Financial Year 2010-11. The scope of work includes BOP and BTG Plant including single cylinder turbine with reheat system. Currently, your company has completed certain engineering and civil works.

  The IPC(H)L has completed the financial Closure for the Project in the month of April, 2013 from the financial Institutions (REC and PFC). The Financial Closure will expedite and smoothen the operations of the project.

- **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:

  - **Oil Block CB-ONN-2010/11:**
    - Production Sharing Contract (PSC) for the same block has been signed on March 28, 2012.

  - Signing of Joint Operating Agreement (JOA) among consortium members for Block 11.
  - The consortium has been granted with the Petroleum Exploration License (PEL) on March 15, 2013.

- **Oil Block CB-ONN-2010/08:**
  - Production Sharing Contract (PSC) for this block has been signed on August 30, 2012.
  - Signing of Joint Operating Agreement (JOA) among consortium members for Block 08.
  - The consortium has been granted with the Petroleum Exploration License (PEL) on March 1, 2013.

- **Formation of Joint Venture Company for Railway Project:**

  Your Company has 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.

  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).

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Amit Babasaheb Kalyani, Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

MANAGER

The Board of Directors of the Company in its meeting held on January 5, 2013 has appointed Mr. Rohit Gogia as the Manager of the Company for a period of three years with effect from January 5, 2013 up to January 4, 2016 on the remuneration and the terms and conditions, as approved by the Remuneration Committee of the Company.

Mr. Gogia, as the Manager of the Company shall be entitled to an all inclusive consolidated remuneration of Rs.14,00,000/- (Rupees Fourteen Lac Only) per annum with annual increment as applicable as per the employment rules of the Company and Board is Authorised for the revision thereof as per the policy of the Company.

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, 2013, 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, 2013;

c. the Directors had taken 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 Directors had prepared the annual accounts for financial year ended March 31, 2013 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.

The Company has received letter from M/s RMA & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in this Report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

SUBSIDIARY COMPANY

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

FIXED DEPOSIT

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 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 217(2A) is not appended.

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
Date: May 10, 2013

Sunil K Chaturvedi
Chairman

ANNEXURE-I

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended and forming part of the Directors' Report for the year ended March 31, 2013:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2012-2013

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	121
Foreign Exchange used	1,18,076
Net Foreign Exchange earned	(1,17,955)

For and on behalf of the
Board of Directors

Place: New Delhi **Sunil K Chaturvedi**
Date: May 10, 2013 **Chairman**

AUDITORS' REPORT

TO THE MEMBERS OF
BF Infrastructure Limited

1. We have audited the attached Balance Sheet of **BF Infrastructure Limited. (The Company)**, as at 31st March, 2013 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31st March 2013 and taken on record by the Board of Directors, We report that 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.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2013.

b. In the case of the Statement of Profit & Loss Account, of the profit for the year ended on that date; and

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

Place: New Delhi

Date: 10.05.2013

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date on the Statements of Account of **BF Infrastructure Limited** as at and for the year ended 31st March 2013:

(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 31.3.2013 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, 2013, 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: 10.05.2013

(**PANKAJ CHANDER**)
Partner
Membership No.: 089065

BF Infrastructure Limited

Balance Sheet as at 31st March, 2013

(Amount in RS)

	Note	31.03.13	31.03.12
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	2	318,140,500.00	10,000,000.00
(b) Reserves and surplus	3	(1,076,390.69)	(2,195,158.24)
Non-current liabilities			
(a) Long-term borrowings	4	212,815,999.00	-
(b) Deferred tax liabilities (Net)		-	804,259.00
(c) Other Long term liabilities		-	-
(d) Long-term provisions	5	2,941,423.00	1,073,000.00
Current liabilities			
(a) Short-term borrowings	6	224,227,458.73	-
(b) Trade payables	7	331,139,419.60	341,767,571.60
(c)Other current liabilities	8	3,024,196,071.04	3,160,989,073.77
(d) Short-term provisions	9	13,088,391.00	22,787,751.00
Total		**4,125,472,871.68**	**3,535,226,497.13**
ASSETS			
Non-current assets			
(a) Fixed assets	10		
(i) Tangible assets		21,951,741.27	25,825,297.83
(ii) Intangible assets		1,491,870.83	1,081,968.40
(iii) Intangible Assets Under Development		-	250,000.00
(b) Non-current investments	11	49,000.00	-
(c) Deferred Tax Assets (Net)	12	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	1,922,417,888.39	1,578,710,512.74
(c)Trade receivables	14	635,269,746.00	580,989,854.00
(d) Cash and cash equivalents	15	32,045,785.85	42,540,906.96
(e) Short-term loans and advances	16	1,363,924,887.43	1,186,987,804.00
(f) Other current assets	17	148,105,011.91	118,840,153.19
Total		**4,125,472,871.68**	**3,535,226,497.13**

The accompanying notes 1 to 21 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

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

Place: Delhi
Date: 10.05.2013

BF Infrastructure Limited

Statement of Profit and Loss for the year ended March 31, 2013

(Amount in RS)

Particulars	NOTE	31.03.13	31.03.12
Revenue			
Revenue from operations		-	-
Other income	18	5,643,607.02	19,751,422.84
Total Revenue		5,643,607.02	19,751,422.84
Expenses:			
Administration & Other Expenses	19	710,097.80	14,386,550.80
Finance costs	20	114,133.51	1,962,699.72
Depreciation and amortization expense	10	4,721,807.15	2,633,278.14
Total expenses		**5,546,038.46**	**18,982,528.66**
Profit before exceptional and extraordinary items & tax		97,568.56	768,894.18
Exceptional items		-	-
Profit before extraordinary items and tax		97,568.56	768,894.18
Extraordinary Items		-	-
Profit before tax		97,568.56	768,894.18
Tax expense:			
Current tax		-	-
Deferred tax		(1,021,199.00)	584,560.00
Profit for the period from continuing operation		1,118,767.56	184,334.18
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit/(Loss) for the period		**1,118,767.56**	**184,334.18**
Earnings per equity share:			
Basic		0.14	0.18
Diluted		0.14	0.18
Contingent Liabilities	21		

The accompanying notes 1 to 21 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

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Pankaj Chander

Partner
Membership No 089065

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

Place: Delhi
Date : 10.05.2013

Notes to financial statements for the year ended 31st March 2013

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 not 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. The company is having the policy of recognizing project revenues on 15% of project completion.

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

(in Rs.)

Particulars	**Year Ended 31.03.13**	**Year Ended 31.03.12**
Contract Revenue Recognized during the period	---------	---------
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	1,92,24,17,888.39	1,57,87,10,512.74
Amount of customer advances outstanding for contracts in progress up to the reporting date	1,92,90,99,325.99	1,93,31,95,129.79
Retention amount due from customers for contract in progress up to the reporting date	8,62,04,40.73	8,11,19,440.43
Due from customers	63,52,69,746.00	58,09,89,854.00
Due to customers	33,11,39,419.60	34,17,67,571.60

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.

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

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 10.05.2013

For BF Infrastructure Limited

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Shubham Kandhway
Company Secretary

Rohit Gogia
Manager

BF Infrastructure Limited

Note No. 2 to the Financial Statements

2. Share Capital (Amount in Rs)

As at March 31,	2013	2012
Authorized Shares (No.) 180,00,000 shares of par value of Rs.10/- each (Previous year 1,00,00,000 shares of par value of Rs.10/- each)	180,000,000.00	100,000,000.00
2,20,00,000 Non Cumulative Redemable Preference shares of par value of Rs.10/- each (Previous Year Nil)	220,000,000.00	
Total	**400,000,000.00**	**100,000,000.00**
Issued , Subscribed and Fully Paid up (No.) 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	10,000,000.00
2,18,14,050 Non Cumulative Redemable Preference shares of par value of Rs.10/- each fully paid up (Previous Year Nil)	218,140,500.00	
Total Issued , Subscribed and Fully Paid up Capital	**318,140,500.00**	**10,000,000.00**

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

Equity Shares	**As at March 31, 2013**		**As at March 31, 2012**	
	No.	**In Rs.**	**No.**	**In Rs.**
At the begining of the year	1,000,000.00	10,000,000.00	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	1,000,000.00	10,000,000.00

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, 2013**		**As at March 31, 2012**	
	No.	**In Rs.**	**No.**	**In Rs.**
At the begining of the year	-	-	-	-
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	-	-

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	**31 March 2013**		**31 March 2012**	
	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	**31 March 2013**		**31 March 2012**	
	No.	**% Holding**	**No.**	**% Holding**
Bharat Forge Limited	21,814,050	100%	-	-
Total	**21,814,050.00**	**100%**	**-**	**-**

BF Infrastructure Limited

Note No. 3 to the Financial Statements

3. Reserves and Surplus

(Amount in Rs)

As at March 31,	2013	2012
Surplus/(Deficit) in the Statement of Profit and Loss Account		
Balance as per last Financial Statement	(2,195,158.24)	(2,379,492.42)
Add: Net Profit for the year	1,118,767.56	184,334.18
Closing Balance	(1,076,390.69)	(2,195,158.24)

Note No. 4 to the Financial Statements

4. Long Term Borrowing

(Amount in Rs.)

As at March 31,	2013	2012
Unsecured		
SREI Infrastructure Finance Limited	212,815,999.00	-
Total	**212,815,999.00**	-

BF Infrastructure Limited

Note No. 5 to the Financial Statements

(Amount in Rs.)

5. Long Term Provisions

As at March 31,	2013	2012
Provision for Employee Benefits		
Gratuity Payable Long Term	968,423.00	317,000.00
Leave Encashment Payable Long Term	1,973,000.00	756,000.00
Total	**2,941,423.00**	**1,073,000.00**

Note :

A. Gratuity

I. Assumptions :

	2013	2012
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	322,000.00	23,000.00
Interest Cost	-	1,840.00
Service Cost	433,769.00	321,990.00
Benefits paid	(804,443.00)	-
Actuarial (gain) loss on obligations	1,018,674.00	(24,830.00)
PBO at the end of the year	970,000.00	322,000.00

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	-	-

Gratuity Provision includes Rs. 14,423 recoverable from BF-NTPC Energy Systems Ltd.

B. Leave Encashment

I. Assumptions :

	2013	2012
Discount Rate	8.00%	8.00%
Rate of increase in Compensation levels	6.00%	6.00%

II. Table Showing Change in Benefit Obligation :

	2013	2012
Projected Benefit Obligatons (PBO)		
at the beginning of the year	1,008,000.00	48,000.00
Interest Cost	72,826.00	1,590.00
Service Cost	369,431.00	273,851.00
Benefits paid	(195,350.00)	(56,252.00)
Actuarial (gain) loss on obligations	353,093.00	740,811.00
PBO at the end of the year	1,608,000.00	1,008,000.00

III. Tables of Fair value of Plan Assets

	2013	2012
Fair Value of Plan Assets		
at the beginning of the year	-	-
Expected Return on Plan Assets	-	-
Contributions/Transfers	195,350.00	56,252.00
Benefits paid	(195,350.00)	(56,252.00)
Gain / (loss) on Plan Assets	-	-
Fair Value of Plan Assets		
at the end of the year	-	-

BF Infrastructure Limited

Note No. 6 to the Financial Statements

6. Short Term Borrowings

(Amount in Rs.)

As at March 31,	2013	2012
Cash Credit from Bank (Secured)	224,227,458.73	-
Total	**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.

Note No. 7 to the Financial Statements

7. Trade Payables

(Amount in Rs)

As at March 31,	2013	2012
Trade Payables	331,139,419.60	341,767,571.60
TOTAL	**331,139,419.60**	**341,767,571.60**

Note No. 8 to the Financial Statements

8. Other Current Liabilities

(Amount in Rs)

As at March 31,	2013	2012
Income Billed but not Accrued	1,041,184,159.05	871,560,762.05
Advance from Customer	1,929,099,325.99	1,933,195,129.79
Bharat Forge Ltd.	-	308,140,490.93
Retention Money Payable	53,612,586.00	47,717,691.00
Deposit Received	300,000.00	375,000.00
Total	**3,024,196,071.04**	**3,160,989,073.77**

Note No. 9 to the Financial Statements

9. Short Term Provisions

(Amount in Rs)

As at March 31,	2013	2012
Expenses Payable	7,656,188.00	6,720,110.00
Duties and Taxes	5,432,203.00	16,067,641.00
	13,088,391.00	**22,787,751.00**

BF Infrastructure Limited

Note No. 10 to the Financial Statements

(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 31.03.13
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**	**58,416,488.00**
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**	**14,513,005.46**
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**

BF Infrastructure Limited
Note No. 11 to the Financial Statements

11. Non Current Investment

(Amount in Rs)

As at March 31,	2013	2012
<u>Non Current Investment</u>		
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)	49,000.00	-
Total	49,000.00	-

Note no. 12 to the Financial Statements

12. Deferred Tax Liability / (Asset)

(Amount in Rs)

As at March 31,	2013	2012
Depreciation As Per IT Act.	4,019,735.40	5,236,058.01
Depreciation As Per Companies Act	4,721,807.15	2,633,278.14
	(702,071.75)	2,602,779.87
Deferred Tax Liability @ 30.9%	(216,940.17)	804,258.98
Deferred Tax Liability / (Asset)	**(216,940.00)**	**804,259.00**

BF Infrastructure Limited
Note No. 13 to the Financial Statements

13. Project Work in Progress

(Amount in Rs)

As at March 31,	**2013**	**2012**
Opening Work in Progress	1,578,710,512.74	47,716,082.74
Civil Works	132,617,307.00	763,509,180.00
Cement	13,664,136.00	64,909,171.00
Steel	58,905,401.00	260,612,553.00
Structural Steel	1,990,170.00	-
BTG Purchase	-	30,199,938.00
Personnel Expenses	70,882,011.00	200,779,611.00
Office Rent and Maintenance	4,915,739.00	21,494,085.00
BG Commission	4,055,327.97	4,268,257.16
Interest Expenses	14,182,118.76	-
Tender Preperation Charges	-	5,000,000.00
Transportation Charges	772,976.00	3,520,095.00
Office Expenses	7,049,023.46	18,268,725.16
Insurance Charges	1,803,884.84	1,840,174.00
Professional Charges	5,305,020.00	66,187,169.00
Site Salary	13,941,490.00	10,590,730.00
Local Transport	7,316,511.62	6,953,415.00
Project Development Expenses		4,020,585.00
Other Site Expenses	2,366,496.00	2,162,948.32
Service Tax on Input		16,028,858.00
Travelling Expenses	3,937,927.00	57,260,166.36
Loss on Foreign Currency Exchange	1,836.00	_
TOTAL	**1,922,417,888.39**	**1,585,321,743.74**
Less:		
Scrap sales		
Sale - Cement Empty Bags	-	177,950.00
Sale - Scrap Iron and Steel	-	6,423,281.00
Scrap Sales	-	10,000.00
	1,922,417,888.39	**1,578,710,512.74**

BF Infrastructure Limited
Note No. 14 to the Financial Statements

14. Trade Receivables

(Amount in Rs.)

As at March 31,	2013	2012
Trade Receivables		
Unsecured considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they became due for payment:		
Considered Good	463,286,006.00	580,989,854.00
Considered Doubtful	-	-
Less : Provision for Doubtful Receivables	-	-
	-	-
Other Receivables , Considered Good	171,983,740.00	-
Total	**635,269,746.00**	**580,989,854.00**

Note No. 15 to the Financial Statements

15. Cash and Bank Balances

(Amount in Rs)

As at March 31 ,	2013	2012
Cash and Cash Equivalents		
Balances with Banks		
In Cash Credit and Current Accounts	20,897,978.67	2,480,127.96
Deposits	11,074,731.00	40,000,000.00
Cash on Hand	73076.18	60779.00
Total	**32,045,785.85**	**42,540,906.96**

Note No. 16 to the Financial Statements

16. Short term Loans and Advances

(Amount in Rs.)

As at March 31,	2013	2012
Short term loan and Advances		
Advance Recoverable in cash or kind or for value to be received (considered good)	1,363,924,887.43	1,186,987,804.00
Total	**1,363,924,887.43**	**1,186,987,804.00**

BF Infrastructure Limited
Note No. 17 to the Financial Statements

17. Other Current Assets

		(Amount in Rs)
As at March 31,	**2013**	**2012**
Other Current Assets		
Prepaid Expenses	434,975.91	637,646.00
Interest Accrued	-	516,960.00
Security Deposits	3,293,181.00	2,670,033.00
Cenvat Credit	16,158,879.02	15,905,818.98
Education Cess on Service Tax	323,197.05	318,105.41
Higher Education Cess on Service Tax	161,585.85	159,068.59
Cenvat Credit Claimable	10,762,937.00	-
Cenvat Credit Deferred	27,163.00	182,589.45
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	-
TDS Receivable	9,490,502.00	5,745,149.00
Advance Sales Tax	-	76,000.00
BF NTPC Energy Systems Ltd.	467,997.00	-
WB Work Contract VAT 13.5%%	277,901.00	3,838,001.00
WB VAT 13.5%	4,240.00	-
WB VAT 4%		365,808.00
WB Work Contract VAT 4%	1,878.00	101,851.00
WCT Receivable	7,566,920.00	-
Staff Imprest	14,044.82	8,699.00
Retention Money	86,204,640.73	81,119,440.43
Reimbursement of Excise Duty	232.00	-
Reimbursement of Labour Cess	99,884.00	-
Advance to Creditors	37,506.00	-
Preliminary Expenses yet to be written off	325,569.53	488,354.33
TOTAL	**148,105,011.91**	**118,840,153.19**

BF Infrastructure Limited

Note No. 18 to the Financial Statements

18. Other Income

(Amount in Rs.)

For the March 31,	2013	2012
Other Income		
Interest Income	2,739,288.02	12,385,888.05
Rental Income	-	7,290,000.00
Tender Sale	-	75,000.00
Short and Excess	-	534.79
Income from Forex Exchange	1,443.00	-
Miscellaneous Income	2,876.00	-
Management Consultancy Fees	2,900,000.00	-
	5,643,607.02	**19,751,422.84**

Note No. 19 to the Financial Statements

19. Administration and Other Expenses

(Amount in Rs.)

For the March 31,	2013	2012
Administration and Other Expenses		
Office Rent & Maintenance Expenses	-	12,017,866.00
Tender Expenses	-	1,315,900.00
Business Development	-	590,000.00
Personal Expenses	247,313.00	
Audit fee	300,000.00	300,000.00
Preliminary Exps. Written off	162,784.80	162,784.80
Total	**710,097.80**	**14,386,550.80**

BF Infrastructure Limited

Note No. 20 to the Financial Statements

20. Finance Cost

(Amount in Rs.)

For the March 31	2013	2012
Finance Cost		
Interest Expenses	-	1,282,480.58
Bank Charges	114,133.51	9,778.14
BG Commission	-	670,441.00
	-	
TOTAL	**114,133.51**	**1,962,699.72**

Note No. 21 to the Financial Statements

21. Contingent Liabilities

(Amount in Rs.)

For the March 31	2013	2012
Bank Guarantees		
Bank Guarantees Extended to Customer	670,655,000.00	596,850,000.00
Bank Guarantees Extended to Vendor	110,000,000.00	110,000,000.00
Bid Bank Guarantees	-	152,500,000.00
Total	**780,655,000.00**	**859,350,000.00**

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BF Infrastructure Venturs 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.	R-177, Greater Kailash- I
		New Delhi 110 048.

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Second Annual Report and Audited Statement of Accounts for the period from April 1, 2012 to March 31, 2013.

FINANCIAL HIGHLIGHT

During the financial year company has incurred a net Profit/ (loss) of Rs. **(2,78,984)/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	As on March 31, 2013	As on March 31, 2012
Net Sales	NIL	NIL
Other Income	NIL	NIL
Total Revenue	**NIL**	**NIL**
Operating and Other Expenses	2,78,984	2,82,277
Total Expenses	**2,78,984**	**2,82,277**
PBDIT	**(2,78,984)**	**(2,82,277)**
Depreciation/Amortization	NIL	NIL
PBIT	**(2,78,984)**	**(2,82,277)**
Current Tax	NIL	NIL
PAT	**(2,78,984)**	**(2,82,277)**
Basic/ Diluted Earnings / (Loss) per Share	(5.58)	(5.65)

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, 2013.

SHARE CAPITAL

Authorised share capital

The Authorised Capital of the Company as on date is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

Paid-up Share Capital

The paid up share capital of the Company is Rs. 5,00,000/- (Rupees Five Lac) divided into 50,000/- (Fifty Thousand) Equity Shares of Rupees 10/- (Rupees Ten) each.

BACKGROUND AND REVIEW OF ACTIVITIES

- **Incorporation and setting up of company**

  BF Infrastructure Ventures Limited (BFIVL) is 100% subsidiary 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, 1956 and Articles of Association of the Company, Mr. Kishore Saletore, 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, 2013, 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, 2013 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.

The Company has received the letter pursuant to Section 224(1B) of the Companies Act, 1956 from M/s RMA & Associates, Chartered Accountants, regarding their eligibility for re-appointment as Auditors of the Company.

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 at its nascent stage and has not yet started its commercial activities. The Financials of the Subsidiary along with the Consolidated Financial Statements are attached with and forming part of the Financial Statements of the Company

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
Date: May 10, 2013

Sunil Kumar Chaturvedi
Chairman

ANNEXURE-I

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended and forming part of the Directors' Report for the year ended March 31, 2013:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2012-2013

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: New Delhi
Date: May 10, 2013

Sunil Kumar Chaturvedi
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
BF Infrastructure Ventures Limited

1. We have audited the attached Balance Sheet of **BF Infrastructure Ventures Limited. (The Company)**, as at 31st March, 2013 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, report not attached as the said order is not applicable to the company.

4. Further to our comments in the Annexure referred to above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31st March 2013 and taken on record by the Board of Directors, We report that 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.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2013.

b. In the case of the Statement of Profit & Loss Account, of the Loss for the year ended on that date; and

For: RMA & ASSOICIATES
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 10.05.2013

(PANKAJ CHANDER)
Partner
Membership No.: 089065

BF Infrastructure Ventures Ltd.

Balance Sheet as at 31st March, 2013

(Amount in Rs)

As at March 31,	Note	2013	2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	500,000.00	500,000.00
Reserves and surplus	3	(599,516.00)	(320,532.00)
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	457,058,099.76	283,250,117.99
Short-term provisions	5	263,193.00	266,002.00
Total		**457,221,776.76**	**283,695,587.99**
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	250,000.00
Long-term loans and advances		-	-
Other non-current assets		-	-
Current assets			
Current investments		-	-
Inventories		-	-
Trade receivables		-	-
Cash and cash equivalents	7	115,494.00	139,313.00
Short-term loans and advances	8	-	5,993,642.41
Other current assets	9	413,706,282.76	277,312,632.58
Total		**457,221,776.76**	**283,695,587.99**

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

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Partner
Membership No 089065

Place: Delhi
Date: 10th May ,2013

BF Infrastructure Ventures Ltd.
Statement of Profit and Loss for the year ended March 31, 2013

(Amount in Rs)

For the year ended March 31,	NOTE	2013	2012
Revenue			
Revenue from operations		-	-
Other income		-	-
Total Revenue		-	-
Expenses:			
Employee benefits expense		-	-
Finance costs		-	-
Depreciation and amortization expense		-	-
Administration & other expenses	**10**	278,984.00	282,277.00
Prior period items		-	-
Total expenses		**278,984.00**	**282,277.00**
Profit/(Loss) before exceptional and extraordinary items & tax		(278,984.00)	(282,277.00)
Exceptional items		-	-
Profit/(Loss) before extraordinary items and tax		(278,984.00)	(282,277.00)
Extraordinary Items		-	-
Profit/(Loss) before tax		(278,984.00)	(282,277.00)
Tax expense:			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) for the period from continuing operation		(278,984.00)	(282,277.00)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit/(Loss) for the period		**(278,984.00)**	**(282,277.00)**
Earnings per equity share:			
Basic		(5.58)	(5.65)
Diluted		(5.58)	(5.65)

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

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Place: Delhi
Date: 10th May ,2013

Notes to financial statements for the year ended 31st March 2013

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.

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

For BF Infrastructure Ventures Limited

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 10.05.2013

Sunil K Chaturvedi
Director

Kishore Saletore
Director

BF Power Equipment Limited

Note No. 2 to the Financial Statements

2. Share Capital

As at March 31,	2013	2012
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, 2013		As at March 31, 2012	
	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%**

Note No. 3 to the Financial Statements

3. Reserve and Surplus

As at March 31,	2013	2012
Surplus/(Deficit) in the Statement of Profit and Loss Account		
Balance as per last Financial Statement	(320,532.00)	(38,255.00)
Add(Less):-Profit (Loss) after tax for the year	(278,984.00)	(282,277.00)
Closing Balance	**(599,516.00)**	**(320,532.00)**

BF Infrastructure Ventures Ltd

Note No. 4 to the Financial Statements

4. Other Current Liabilities

(Amount in Rs)

As at March 31,	2013	2012
Duties & Taxes	2,809.00	-
Amount Payable to Bharat Forge limited	457,055,290.76	283,250,117.99
TOTAL	**457,058,099.76**	**283,250,117.99**

Note No. 5 to the Financial Statements

5. Short Term Provisions

(Amount in Rs)

As at March 31,	2013	2012
Provision for Leave Encashment	237,912.00	237,912.00
Audit fee Payable	25,281.00	28,090.00
Total	**263,193.00**	**266,002.00**

Note No. 6 to the Financial Statements

6. Non Current Investment

(Amount in Rs)

As at March 31,	2013	2012
Investment in Joint Venture Company		
David Brown Bharat Forge Gear Systems India Limited	43,400,000.00	250,000.00
Total	**43,400,000.00**	**250,000.00**

Note No. 7 to the Financial Statements

7. Cash and Cash Equivalent

(Amount in Rs)

As at March 31,	2013	2012
Balances with Bank in Current Account	114,898.00	138,593.00
Cash on hand	596.00	720.00
Total	**115,494.00**	**139,313.00**

BF Infrastructure Ventures Ltd

Note No. 8 to the Financial Statements

8. Short Term Loans and Advances

(Amount in Rs)

As at March 31,	2013	2012
Loans to related parties include:		
i)Subsidiary companies	-	-
ii)Joint Venture companies	-	5,993,642.41
iii)Key management personel	-	-
	-	**5,993,642.41**

Note No. 9 to the Financial Statements

9. Other Current Assets

(Amount in Rs)

As at March 31,	2013	2012
Other Current Assets		
Opening Balance	277,312,632.00	95,120,729.00
Addition During the year	136,393,650.76	182,191,903.58
Total*	**413,706,282.76**	**277,312,632.58**

*Rs. 41,37,06,282.76 represents amount incurred on the project related activities carried out by the company.

Note No. 10 to the Financial Statements

10. Administration & Other expenses

(Amount in Rs)

As at March 31,	2013	2012
Inland Travel	0.00	190.00
Audit fee	28,090.00	28,090.00
Professional charges and consultancy fees	244,198.00	245,527.00
Legal Fees	1,531.00	0.00
Printing and stationery	0.00	1,650.00
Preliminary Exps. Written Off	5,165.00	5,165.00
Bank charges	0.00	1,655.00
Total	**278,984.00**	**282,277.00**

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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.	R-177, Greater Kailash- I
		New Delhi 110 048.

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Second Annual Report and Audited Statement of Accounts for the period from April 1, 2012 to March 31, 2013.

FINANCIAL HIGHLIGHTS

During the financial year company has incurred a net Profit/ (loss) of **Rs. (2,17,154)/-**. The financial results are summarized here under:

(Amount in Rupees)

Particulars	**As on March 31, 2013**	**As on March 31, 2012**
Net Sales	NIL	NIL
Other Income	NIL	NIL
Total Revenue	**NIL**	**NIL**
Operating and Other Expenses	2,17,154	2,26,786
Total Expenses	**2,17,154**	**2,26,786**
PBDIT	**(2,17,154)**	**(2,26,786)**
Depreciation/Amortization	NIL	NIL
PBIT	**(2,17,154)**	**(2,26,786)**
Current Tax	NIL	NIL
PAT	**(2,17,154)**	**(2,26,786)**
Basic/ Diluted Earnings / (Loss) per Share	(4.34)	(4.54)

Dividend

Since the Company is under implementation phase and does not have any distributable profits, hence the Board is not in a position to recommend any dividend for the year ended March 31, 2013.

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**

  The power sector is one of the fastest growing sectors in the world. World's current manufacturing capacity for all types of power plants, excluding Chinese suppliers, put together is over 150GW per annum. For sustainable growth of an emerging economy, growth of power generation should be about twice that of GDP. In India, GDP (~9%) is growing faster than the power generation (~6%). From adding 25GW in Five year, few years ago, India need to add even larger capacity in an Year i.e. 25GW to 30GW per year to have the estimated ~900GW capacity by 2030 (under a moderate growth scenario). While main plant manufacturing capacity is being enhanced in quantitative and qualitative terms i.e. from some 7GW to 30GW, similar effort is essential in BoP space-especially in critical BoP and components' space.

  The world market space, emerging and developing economies excluding China are expected to increase their generation capacities by at least three times on an average over next 20-25 years. More than 50% of this would be coal fired power plants and BoPs constitute over 25% of EPC cost of setting up a plant.

  There are few vendors in India having well recognized credentials in each of the BoP segments i.e. pumping systems, piping system, efficient water purification and recycling systems, etc. Most of these Vendors are system integrators are not manufacturers and source smaller components from certain set of sub vendors mostly small in size, traditional in technology with limited capacity and capability to expand on technology, engineering and manufacturing. In similar markets elsewhere situation is equally or more challenging. This is the opportunity your Company is targeting.

  On account of superior level of skills and knowledge levels and engineering man hour cost arbitrage, engineering and manufacturing from India who posses and or develop capability to continually keep pace with technology and keep evolving the Value offerings can reach these boundary less markets. That is the second dimension of opportunity.

  To create capability and capacity from scratch to engineer, manufacture and supply these critical BoP equipments is seen to have taken in excess of 5-7 years by many leading suppliers in the world. Your company's team is set out to achieve this in less than half this period.

- **Incorporation and setting up of Company**

  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.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Kishore Saletore, 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, 2013, 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, 2013 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.

The Company has received the letter pursuant to Section 224(1B) of the Companies Act, 1956 from M/s RMA & Associates, Chartered Accountants, regarding their eligibility for re-appointment as Auditors of the Company.

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 does 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 at the earliest.

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 **Sunil Kumar Chaturvedi**
Date: May 10, 2013 **Chairman**

ANNEXURE-I

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended and forming part of the Directors' Report for the year ended March 31, 2013:

(A) Conservation of Energy

a. Energy Conservation measures taken during 2012-2013

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: New Delhi
Date: May 10, 2013

Sunil Kumar Chaturvedi
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
BF Power Equipment Limited

1. We have audited the attached Balance Sheet of **BF Power Equipments Limited. (The Company)**, as at 31st March, 2013 and also Statement of Profit and Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, report not attached as the said order is not applicable to the company.

4. Further to our comments in the Annexure referred to above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:

ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet and Statement of Profit and Loss Account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Statement of Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of Companies Act, 1956.

v. On the basis of the written representations received from the directors of the company as on 31st March 2013 and taken on record by the Board of Directors, We report that 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.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2013.

b. In the case of the Statement of Profit & Loss Account, of the Loss for the year ended on that date; and

For: RMA & ASSOICIATES
Chartered Accountants
FRN: 000978N

Place: New Delhi

Date: 10.05.2013

(PANKAJ CHANDER)
Partner
Membership No.: 089065

BF Power Equipment Limited

Balance Sheet as at 31st March, 2013

(Amount in RS)

As at March 31,	Note	2013	2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	500,000.00	500,000.00
Reserves and surplus	3	(482,163.00)	(265,009.00)
Share application money pending allotment		-	-
Non-current liabilities			
Long-term borrowings		-	-
Deferred tax liabilities (Net)		-	-
Other Long term liabilities		-	-
Long-term provisions		-	-
Current liabilities			
Short-term borrowings		-	-
Trade payables		-	-
Other current liabilities		-	-
Short-term provisions	4	28,090.00	28,090.00
Total		**45,927.00**	**263,081.00**
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	35,659.00	247,680.00
Short-term loans and advances		-	-
Other current assets	6	10,268.00	15,401.00
Total		**45,927.00**	**263,081.00**

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
Partner
Membership No 089065

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Place: Delhi
Date: 10th May ,2013

BF Power Equipment Limited

Statement of Profit and Loss As on 31st March 2013

(Amount in RS)

For the 31st March	NOTE	2013	2012
Revenue			
Revenue from operations		-	-
Other income		-	-
Total Revenue		-	-
Expenses:			
Employee benefits expense		-	-
Finance costs		-	-
Depreciation and amortization expense		-	-
Administration and other expenses	7	217,154.00	226,786.00
Prior period items (Net)		-	-
Total expenses		217,154.00	226,786.00
Profit before exceptional and extraordinary items & tax		(217,154.00)	(226,786.00)
Exceptional items		-	-
Profit before extraordinary items and tax		(217,154.00)	(226,786.00)
Extraordinary Items		-	-
Profit before tax		(217,154.00)	(226,786.00)
Tax expense:			
Current tax		-	-
Deferred tax		-	-
Profit for the period from continuing operation		(217,154.00)	(226,786.00)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit/(Loss) for the period		**(217,154.00)**	**(226,786.00)**
Earnings per equity share:		(4.34)	(4.54)
Basic		(4.34)	(4.54)
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

Sunil K Chaturvedi
Director

Kishore Saletore
Director

Place: Delhi
Date: 10th May ,2013

Notes to financial statements for the year ended 31st March 2013

Notes- 1 :-

Corporate Information:

BF Power Equipment Limited (BFPEL) is 100% subsidiary company of the world's largest forging giant – Bharat Forge Limited. BFPEL has emerged out of the diversification scheme of Kalyani Group company - Bharat Forge Limited, BF Power Equipment Limited, to identify, carry on and acquire/invest in business/companies and enterprises including forming joint venture, consortiums and act as a Holding Company in businesses in India or abroad of in various kinds of components and equipment relating to generation of electricity including castings and forgings, fittings and high pressure pipes, valves, pumps, balance of plants, ancillary parts and components, associated infrastructure, transmission and distribution systems Castings, Pumps, valves and Piping Solutions. Consequently, the company was incorporated as a public limited company on December 20, 2010 and its registered office is at Pune.

Significant Accounting Policies

a) Basis of Preparation:

i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis.

ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

iii. The preparation of financial statements are in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

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.

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

For BF Power Equipment Limited

Pankaj Chander
Partner
Membership No 089065
Place: Delhi
Date : 10.05.2013

Sunil K Chaturvedi
Director

Kishore Saletore
Director

BF Power Equipment Limited

Note No. 2 to the Financial Statements

2. Share Capital

As at March 31,	2013	2012
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, 2013		As at March 31, 2012	
	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%**

BF Power Equipment Limited

Note No. 3 to the Financial Statements

(Amount in Rs)

3. Reserve and Surplus

As at March 31,	2013	2012
Surplus/(Deficit) in the Statement of Profit and Loss Account		
Balance as per last Financial Statement	(265,009.00)	(38,223.00)
Add(Less):-Profit (Loss) after tax for the year	(217,154.00)	(226,786.00)
Closing Balance	**(482,163.00)**	**(265,009.00)**

Note No. 4 to the Financial Statements

(Amount in Rs)

4. Short Term Provision

As at March 31,	2013	2012
Audit Fees Payable	25281.00	28090.00
Duties And Taxes	2,809.00	
Total	**28090.00**	**28090.00**

Note No. 5 to the Financial Statements

(Amount in Rs)

5. Cash and Cash Equivalent

As at March 31 ,	2013	2012
Balances with Banks	35168.00	247065.00
Cash on hand	491.00	615.00
Total	**35659.00**	**247680.00**

BF Power Equipment Limited
Note No. 6 to the Financial Statements

(Amount in Rs)

6. Other Current Assets

As at March 31,	2013	2012
Miscelleneous Expenditure to the extent not written off	10268.00	15,401.00
Total	**10,268.00**	**15,401.00**

Note No. 7 to the Financial Statements

(Amount in Rs)

7. Administration and Other Expenses

For the March 31,	2013	2012
Inland Travel	-	295.00
Audit fee	28,090.00	28,090.00
Professional charges and consultancy fees	168,540.00	170,965.00
Legal expenses	15,391.00	19,412.00
EDP hire and other charges	-	-
Printing and stationery	-	1,650.00
Preliminary Exps. Written off	5,133.00	5,133.00
Bank charges	-	1,241.00
Total	**217,154.00**	**226,786.00**

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Kalyani ALSTOM Power Limited

Directors	***Registered Office***	***Auditors***
Mr. B. N. Kalyani	14th Floor, Antariksha Bhavan,	S R Batliboi & Associates
Mr. A. B. Kalyani	22, Kasturba Gandhi Marg,	Golf View Corporate Tower B
Mr. V. K. Jain	New Delhi - 110 001.	Sector-42, Sector Road
Mr. Philippe Cochet		Gurgaon - 122 002, Haryana
Mr. Patrick Ladermann		

DIRECTORS' REPORT

To the members of Kalyani ALSTOM Power Ltd.

Your Directors have pleasure in presenting the Third Annual Report and Audited Statement of Accounts for the Financial Year ended on March 31, 2013.

Financial Highlights

During the year under your Company had been engaged in factory construction and establishment of manufacturing facilities at Mundra Gujarat and Training of Engineers and technicians to ensure that manufacturing is started immediately after the readiness of factory.

As the company could not start business operations during the year, it has incurred a net loss of Rs. 7,13,44,827.00. The financial results are summarized below:

(Amount in Rupees)

Particulars	Financial Year ended on March 31, 2013	Financial Year ended on March 31, 2012
Net Sales	NIL	NIL
Other Income	34,230	NIL
Total Revenue	**34,230**	**NIL**
(Increase)/ decrease in inventories of work-in-progress	-	(20,59,447)
Personnel Expenses	4,00,02,780	1,64,15,642
Operating and Other Expenses	2,78,22,357	2,12,56,694
Financial Expenses	91,169	24,036
Total Expenses	**6,79,16,306**	**3,56,36,925**
PBDIT	(6,78,82,076)	(3,56,36,925)
Depreciation/Amortization	34,62,751	32,75,836
PBIT	(7,13,44,827)	(3,89,12,761)
Current Tax	NIL	NIL
PAT	**(7,13,44,827)**	**(3,89,12,761)**
Basic Earnings / (Loss) per Share	(1.44)	(1.35)
Diluted Earnings / (Loss) per Share	(1.44)	(1.30)

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 factory project is under implementation 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, 2013.

Operations Review

Progress of Factory Construction

Construction of factory at Mundra (Gujarat) has been stopped in compliance with order of the Honorable 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. In the meantime the Company continues to explore all possible mitigation measures to minimize this operational disruption.

During this period your Company continued the efforts to advance all other activities such as fabrication of Pre Engineered structures, Procurement and follow up of machines and equipment with a view to ensure that the factory is constructed earliest possible after the halt on construction activity at APSEZ is lifted.

The Transfer of technology in Engineering and manufacturing from Alstom Technology Limited has been a thrust area for the Company. Fourteen Engineers have been trained in Design and manufacture of Heat Exchangers at Baden, Switzerland and Setubal, Portugal. All manufacturing processes were carefully studied and adopted to the equipment proposed in your Company.

The Company also initiated actions on skill building in manufacture of Heat Exchanger Equipment, In this regard, 25 Engineers and Technicians were trained at Bharat Forge Limited in special processes such as Tube Expansion and Orbital Welding. All process qualifications related to the equipment to be manufactured in the Company were established and validated by experts.

Design for all the tooling and fixtures required in the Companies manufacturing facility, were prepared and action was initiated to manufacture the same, to save time during manufacturing facility ramp up.

Supply Chain has been established for all the critical materials required to manufacture Heat Exchanger equipment. Action to implement SAP and PLM in the Company was initiated and order for SAP implementation was placed on competent vendors.

The orders for TG Island for 2x660 MW Solapur and 3x660 MW Nabinagar projects of NTPC were received during the year by its sister concern ALSTOM Bharat Forge Power Limited. However the company could not get qualified for manufacture of HEX Equipment for these projects due to delay in Factory construction.

Directors

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Babasaheb Neelkanth Kalyani, Director of the Company, retires by rotation and, being eligible, offered himself for re-appointment as Director at the ensuing Annual General Meeting.

Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to 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, 2013, 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, 2013 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.

d. the Directors had prepared the annual accounts for the Financial Year ended March 31, 2013, 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, and the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, Statement under section 217(2A) is not annexed.

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, 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 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 31st March, 2013.

Audit Committee

The Audit committee comprises of following three members as at 31st march 2013.

1. Mr. Babasaheb Neelkanth Kalyani
2. Mr. Patrick Lederman
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. 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, Statutory Auditors of the Company holds office, until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment.

The Company has received letter from M/s S R Batliboi & Associates LLP, 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.

Auditor's Report

The observations made by auditors on slight delay in payment of statutory dues, is self explanatory. Board states that the delay was procedural and has been streamlined.

Regarding the Auditors' observation in their report pursuant to the Companies (Auditor's Report) Order (CARO) 2003, that short term funds raised in form of current liabilities amounting to Rs. 111,538,283 have been used for long term investments representing acquisition of fixed assets (capital work in progress) and funding of losses, the Board states that this amount represents the amount received in advance against the transfer of some assets and is only an interim measure pending raising of long term resources.

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: New Delhi Date: April 25, 2013	Vijay Kumar Jain Managing Director	Patrick Ledermann Director

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.

(A) Conservation of Energy

1) **Energy Conservation measures taken during 2012-2013**

   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:

	(Rupees thousands)
Foreign Exchange earned	NIL
Foreign Exchange used	12,880
Net Foreign Exchange earned	(12,880)

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

Place: New Delhi
Date: April 25, 2013

Vijay Kumar Jain
Managing Director

Patrick Ledermann
Director

Auditors' Report

To the Members of Kalyani ALSTOM Power Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Kalyani ALSTOM Power Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, 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

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 accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). 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. 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, 2013;

(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;

(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.R. Batliboi & Associates LLP
Chartered Accountants
Firm's Registration Number: 101049W

per Raman Sobti
Partner
Membership Number: 89218
Place of Signature: Gurgaon
Date: April 25, 2013

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Kalyani ALSTOM Power Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no disposal of substantial part of fixed assets during the year.

(ii) The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Due to the nature of its business, there are no transactions with respect to purchase of inventories and sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(v) (a) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) Since the Company has not commenced commercial production of ancillary to the turbine generator, in our opinion, the provisions of clause 4(viii) of the Order are not applicable to the Company.

(ix) (a) Undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases*. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth tax, service tax, custom duty, sales-tax, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the Company.

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute. The provisions relating to employees' state insurance and investor education and protection fund are not applicable to the company.

(x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank. The Company did not have any dues outstanding to a financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we report that funds amounting to Rs. 111,538,283 raised on short term basis in the form of current liabilities have been used for long-term investment representing acquisition of fixed assets (capital work in progress) and funding of losses*.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) According to the information and explanation given to us by the management, the company has not raised any money by public issues.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm's Registration Number: 101049W

per Raman Sobti
Partner
Membership Number: 89218
Place of Signature: Gurgaon
Date: April 25, 2013

Kalyani ALSTOM Power Limited

Balance sheet as at March 31, 2013

	Notes	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Equity and liabilities			
Shareholders' funds			
Share capital	3	500,000,000	370,375,000
Share application money pending allotment		-	129,625,000
Reserves and surplus	4	(139,830,125)	(68,485,298)
		360,169,875	**431,514,702**
Non-current liabilities			
Long-term borrowings	5	647,300,000	490,000,000
Other Long term liabilities	8	24,691,709	14,363,117
Long-term provisions	6	194,143	442,000
		672,185,852	**504,805,117**
Current liabilities			
Trade Payables	7	7,529,186	4,951,262
Other current liabilities	8	123,944,492	70,808,674
Short term provisions	6	2,443,500	804,000
		133,917,178	**76,563,936**
TOTAL		**1,166,272,905**	**1,012,883,755**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	95,390,343	101,574,455
Intangible assets	10	1,170,389	2,570,830
Capital work-in-progress	11	833,423,720	555,150,607
Loans and Advances	12	207,564,732	240,331,110
Other Assets	13	6,344,827	8,142,857
		1,143,894,011	**907,769,859**
Current assets			
Inventories	14	-	2,059,447
Cash and bank balances	15	15,241,672	102,904,479
Loans and advances	12	6,724,627	149,970
Other Assets	13	412,596	-
		22,378,895	**105,113,896**
TOTAL		**1,166,272,905**	**1,012,883,755**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

per Raman Sobti
Partner

Membership no.: 89218

Vijay Kumar Jain
Managing Director

Philippe Cochet
Director

Place: Gurgaon
Date: April 25, 2013

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: Baden, Switzerland
Date: April 25, 2013

Kalyani ALSTOM Power Limited

Statement of profit and loss for the year ended March 31, 2013

	Notes	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
Income			
Other income	16	34,230	-
Total revenue (I)		**34,230**	**-**
Expenses			
(Increase)/ decrease in inventories of work-in-progress	17	-	(2,059,447)
Employee benefits expense	18	40,002,780	16,415,642
Other expenses	19	27,822,357	21,256,694
Total (II)		**67,825,137**	**35,612,889**
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)		**(67,790,907)**	**(35,612,889)**
Depreciation and amortization expense	20	3,462,751	3,275,836
Finance costs	21	91,169	24,036
Profit/(loss) before tax		**(71,344,827)**	**(38,912,761)**
Tax expenses			
Current tax	30	-	-
Deferred tax	30	-	-
Total tax expense		**-**	**-**
Profit/(loss) for the year		**(71,344,827)**	**(38,912,761)**
Earnings per equity share [nominal value of share Rs.10 (31 March 2013: Rs.10]	22		
Basic		(1.44)	(1.35)
Diluted		(1.44)	(1.35)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

per Raman Sobti
Partner
Membership no.: 89218

Vijay Kumar Jain
Managing Director

Philippe Cochet
Director

Place: Gurgaon
Date: April 25, 2013

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: Baden, Switzerland
Date: April 25, 2013

Kalyani ALSTOM Power Limited

Cash flow statement for the year ended 31 March 2013

	31 March 2013 Rs.	31 March 2012 Rs.
Cash flow from operating activities		
Loss before tax from operations	(71,344,827)	(38,912,761)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/ amortization on continuing operation	3,462,751	3,275,836
Interest income	(34,230)	-
Operating loss before working capital changes	(67,916,306)	(35,636,925)
Movements in working capital :		
Increase/ (decrease) in provisions	1,391,643	1,060,000
Increase/ (decrease) in Trade Payables and other liabilities	66,042,334	(551,638)
Decrease / (increase) in inventories	2,059,447	(2,059,447)
Decrease / (increase) in loans and advances	(7,146,690)	1,404,404
Decrease / (increase) in other non-current assets	1,385,434	(3,642,857)
Cash used in operations	(4,184,138)	(39,426,463)
Direct taxes paid (net of refunds)	225,119	80,351
Net cash flow used in operating activities (A)	(3,959,019)	(39,346,112)
Cash flows from investing activities		
Purchase of fixed assets, including CWIP and capital advances	(241,038,018)	(570,738,610)
Interest received	34,230	-
Net cash flow (used in) investing activities (B)	(241,003,788)	(570,738,610)
Cash flows from financing activities		
Proceeds from issuance of equity share capital	-	129,625,000
Proceeds from equity share application money	-	129,625,000
Proceeds from long-term borrowings	157,300,000	490,000,000
Proceeds from short-term borrowings	500,000,000	275,000,000
Repayment of short-term borrowings	(500,000,000)	(315,000,000)
Net cash flow from financing activities (C)	157,300,000	709,250,000
Net increase in cash and cash equivalents (A + B + C)	(87,662,807)	99,165,277
Cash and cash equivalents at the beginning of the year	102,904,479	3,739,202
Cash and cash equivalents at the end of the year	15,241,672	102,904,479
Components of cash and cash equivalents		
Cash on hand	14,511	2,009
With banks- on current account	15,227,161	102,902,470
Total cash and cash equivalents (note 15)	15,241,672	102,904,479

Summary of significant accounting policies 2.1

As per our report of even date

For S.R. Batliboi & Associates LLP
Firm registration number: 101049W
Chartered Accountants

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

per Raman Sobti
Partner

Membership no.: 89218

Vijay Kumar Jain
Managing Director

Philippe Cochet
Director

Place: Gurgaon
Date: April 25, 2013

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: Baden, Switzerland
Date: April 25, 2013

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
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

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

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.

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. Deferred Revenue Expenditure

Costs incurred in raising funds are amortised equally over the period for which the funds are acquired or a period of five years whichever is lower, amortization to commence from the date of first drawdown.

r. 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.

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3. Share capital

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Authorised shares		
125,000,000 (Previous Year : 125,000,000) equity shares of Rs. 10/- each	1,250,000,000	1,250,000,000
Issued, subscribed and fully paid-up shares		
50,000,000 (Previous Year : 37,037,500) equity shares of Rs. 10/- each	500,000,000	370,375,000

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

Equity shares

	As at 31 March 2013		As at 31 March 2012	
	No.	Rs.	No.	Rs.
At the beginning of the year	37,037,500	370,375,000	24,075,000	240,750,000
Issued during the year	12,962,500	129,625,000	12,962,500	129,625,000
Outstanding at the end of the year	50,000,000	500,000,000	37,037,500	370,375,000

(b) Terms/ rights attached to equity shares

1. The company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.

2. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Out of the equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Name of shareholder Nos.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Bharat Forge Limited		
25,500,000 (previous year: 18,889,125) equity shares of Rs. 10 each fully paid	255,000,000	188,891,250

(d) Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
	No .	% holding	No.	% holding
Equity shares of Rs. 10 each fully paid				
Bharat Forge Limited	25,500,000	51%	18,889,125	51%
ALSTOM Power Holdings, SA	24,500,000	49%	18,148,375	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.

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4. Reserves and surplus

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(68,485,298)	(29,572,537)
Loss for the year	(71,344,827)	(38,912,761)
Net surplus/ (deficit) in the statement of profit and loss	**(139,830,125)**	**(68,485,298)**
Total reserves and surplus/ (deficit)	**(139,830,125)**	**(68,485,298)**

5. Long-term borrowings

	Non-current portion		Current maturities	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Term loans				
Indian rupee loan from banks (secured)	121,447,398	109,597,720	-	-
Indian rupee loan from banks (unsecured)	525,852,602	380,402,280		
	647,300,000	**490,000,000**	**-**	**-**

Term Loans amounting to Rs. 157,300,000 were drawn during the year (previous year Rs. 490,000,000) which carry interest @ base rate + 2.20 % . These loans are repayable in 32 quarterly installments of Rs. 70.32 million each after a moratorium period of 18 months from March 31, 2013. The loans are secured by hypothecation of movable fixed assets, current assets and leasehold land.

6. Provisions

	Long-term		Short-term	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Provision for employee benefits				
Provision for gratuity	194,143	442,000	1,120,500	-
Provision for leave benefits	-	-	1,323,000	804,000
	194,143	**442,000**	**2,443,500**	**804,000**

7. Short-term borrowings

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Trade payables (refer note 27 for details of dues to micro and small enterprises)	7,529,186	4,951,262
	7,529,186	**4,951,262**

8. Other liabilities

	Long-term		Current	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Advances from ALSTOM Bharat Forge Power Limited (Refer Note 25)	-	-	118,930,160	-
Interest accrued and due on borrowings	-	-	4,144,658	4,144,658
Creditors for Capital goods	-	-	-	63,276,520
Retention money payable to contractor	24,691,709	14,363,117	-	-
Statutory dues				
TDS Payable	-	-	491,312	2,970,962
PF Payable	-	-	366,217	416,534
Others	-	-	12,145	-
	24,691,709	**14,363,117**	**123,944,492**	**70,808,674**

Notes to financial statements for the year ended March 31, 2013

9. Tangible assets **(Rs.)**

	Leasehold Land	Computers	Office Equipments	Temporary Structure	Total
Gross Block					
At 31 March 2011	103,177,105	267,888	56,250	385,437	**103,886,680**
Additions	-	3,832,633	1,397,559	-	**5,230,192**
Other Adjustments	-	(22,605)	22,605	-	**-**
At 31 March 2012	**103,177,105**	**4,077,916**	**1,476,414**	**385,437**	**109,116,872**
Additions	-	895,610	63,712	-	**959,322**
Disposals	-	49,586	-	-	49,586
At 31 March 2013	**103,177,105**	**4,923,940**	**1,540,126**	**385,437**	**110,026,608**
Depreciation					
At 31 March 2011	2,285,824	32,183	7,295	21,120	**2,346,422**
Charge for the year	3,439,237	976,530	415,911	364,317	**5,195,995**
At 31 March 2012	**5,725,061**	**1,008,713**	**423,206**	**385,437**	**7,542,417**
Charge for the year	5,063,778	1,542,268	520,042	-	**7,126,088**
Disposals	-	32,240	-	-	
At 31 March 2013	**10,788,839**	**2,518,741**	**943,248**	**385,437**	**14,668,505**
Net Block					
At 31 March 2012	**97,452,044**	**3,069,203**	**1,053,208**	-	**101,574,455**
At 31 March 2013	**92,388,266**	**2,405,199**	**596,878**	-	**95,390,343**

Notes

1. Depreciation / amortisation amounting to Rs. 5,063,778 (Previous Period Rs.3,439,237) has been transferred to Capital Work in Progress.
2. Leasehold Land includes payment of Rs. 101,285,626 (Previous Period Rs. 101,285,626) being a one time non-refundable as Infrastructure Development Charges paid to Mundra Port and Special Economic Zone Limited for lease of Land for a period of 30 years extendable on same terms and condition for a further period of 20 years.

Notes to financial statements for the year ended March 31, 2013

10. Intangible assets

		(INR)
	Computer software	Total
Gross Block		
At 31 March 2011	17,207	17,207
Additions	4,089,908	4,089,908
At 31 March 2012	**4,107,115**	**4,107,115**
Additions	-	-
At 31 March 2013	**4,107,115**	**4,107,115**
Depreciation		
At 31 March 2011	17,207	**17,207**
Charge for the year	1,519,078	**1,519,078**
At 31 March 2012	**1,536,285**	**1,536,285**
Charge for the year	1,400,441	1,400,441
At 31 March 2013	**2,936,726**	**2,936,726**
Net Block		
At 31 March 2012	**2,570,830**	**2,570,830**
At 31 March 2013	**1,170,389**	**1,170,389**

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Schedule 11 : Capital Work in Progress

Particulars	Opening Balance April 1, 2012	Incurred for the year	Balance as on March 31, 2013
Capital Expenditure			
Building under Construction (Land Development Charges and related expenses)	423,479,938	136,997,750	560,477,688
Plant & Machinery	-	7,103,524	7,103,524
Revenue expenditure capitalised as part of plant cost(refer note below)	131,670,669	134,171,839	265,842,508
Net Capital Work in Progress	**555,150,607**	**278,273,113**	**833,423,720**

Note : During the year, the company has capitalised the following expenses and set off interest income on surplus funds, of revenue nature to the cost of fixed asset/ capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the company.

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Technology License Installments (and related expenses)*	-	29,757,460
Interest on term loans from banks	86,128,446	36,270,725
Loan arrangement costs amortised	3,373,083	2,112,223
Employee benefits expense		
Salaries, wages & bonus	17,825,635	17,850,289
Contribution to provident and other funds	1,012,904	957,316
Staff welfare expenses	45,065	371,286
Depreciation and amortisation expense	5,063,778	5,725,061
Other Expenses		
Rent	9,863,969	15,962,538
Legal & Professional Expenses	11,608,931	19,498,129
Travelling & conveyance	1,370,880	3,445,518
Rates & taxes	25,000.00	498,402
Miscellaneous Expenses	908,878	669,396
Interest income on bank deposits	(3,054,730)	(1,447,674)
	134,171,839	**131,670,669**

*Technology License represents an amount of EUR 300,000 paid / provided against lump sum consideration of EUR 1,000,000 payable to ALSTOM Technology Ltd, Switzerland as a part of License and Technology Transfer Agreement for transfer of exclusive, non transferrable right of Technology for manufacture of Condenser, High Pressure Heaters, Low pressure Heaters and Deaerator and Storage Tanks for Power projects in the territorial limits of India for a period of 25 years.

Kalyani ALSTOM Power Limited

Notes to financial statements for the year ended March 31, 2013

12. Loans and advances

	Non-current		Current	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Capital advances				
Unsecured, considered good	205,671,166	238,784,458	-	-
	205,671,166	**238,784,458**	**-**	**-**
Security deposit				
Secured, considered good	217,057	95,266	-	-
	217,057	**95,266**	**-**	**-**
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	6,637,002	-
	-	**-**	**6,637,002**	**-**
Other loans and advances				
Unsecured, considered good				
Advance income-tax	450,242	225,119	-	-
Prepaid Expenses	-	-	87,625	-
Advances to employees	-	-	-	46,000
Balances with statutory / government authorities	1,226,267	1,226,267	-	-
Others	-	-	-	103,970
	1,676,509	1,451,386	87,625	149,970
Total	**207,564,732**	**240,331,110**	**6,724,627**	**149,970**

13. Other assets

	Non-current		Current	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Unsecured, considered good unless stated otherwise				
Unamortized loan arrangement costs	6,344,827	8,142,857	-	-
Other receivables	-	-	412,596	-
	6,344,827	**8,142,857**	**412,596**	**-**

14. Inventories

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Project Work-in-progress	-	2,059,447
	-	**2,059,447**

15. Cash and bank balances

	Current	
	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Cash and cash equivalents		
Balances with banks:		
– On current accounts	15,227,161	102,902,470
Cash on hand	14,511	2,009
	15,241,672	**102,904,479**

Notes to financial statements for the year ended March 31, 2013

16. Other income

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Interest income on bank deposits	2,091	-
Interest income on Income Tax Refund	4,019	-
Other income	28,120	-
	34,230	**-**

17. Increase/(decrease) in inventories

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.	(Increase)/Decrease Rs.
Inventories at the end of the year			
Work-in-progress	-	2,059,447	(2,059,447)
	-	**2,059,447**	**(2,059,447)**

18. Employee benefits expense

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Salaries, wages and bonus	33,314,661	14,170,641
Contribution to provident and other funds	2,032,827	950,436
Gratuity expense (Refer note 23)	2,838,189	368,000
Staff welfare expenses	1,817,103	926,565
	40,002,780	**16,415,642**

19. Other expenses

	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
Power and fuel - Electricity charges	2,040	6,401
Rent	7,974,203	3,838,741
Rates and taxes	312,915	3,820,795
Repairs and maintenance		
Others	667,866	380,372
Advertising and sales promotion	43,495	-
Travelling and conveyance	7,532,287	3,020,719
Communication costs	553,134	545,325
Printing and stationery	234,133	263,363
Legal and professional fees	7,192,204	7,338,851
Payment to auditor (Refer details below)	649,550	579,150
Exchange differences (net)	2,165	144,560
Commitment Charges	-	1,000,000
Loss on Sale of Fixed Assets	41,027	-
Capital advances Written off	2,141,592	-
Miscellaneous expenses	475,746	318,417
	27,822,357	**21,256,694**

Payment to auditor

	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
As auditor:		
Audit fee	621,453	550,000
Reimbursement of expenses	28,097	29,150
	649,550	579,150

Note: Current year audit fees includes service tax.

20. Depreciation and amortization expense

	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
Depreciation of tangible assets	2,062,310	1,756,758
Amortization of intangible assets	1,400,441	1,519,078
	3,462,751	**3,275,836**

21. Finance costs

	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
Bank charges	91,169	24,036
	91,169	**24,036**

22. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
Total operations for the year		
Profit/ (loss) after tax	(71,344,827)	(38,912,761)
Net profit/ (loss) for calculation of basic & diluted EPS	**(71,344,827)**	**(38,912,761)**
	No.	**No.**
Weighted average number of equity shares in calculating basic EPS	49,431,781	28,927,083
Effect of dilution:		
Share application money received	-	938,896
Weighted average number of equity shares in calculating diluted EPS	**49,431,781**	**29,865,979**

23. Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance in the form of qualifying insurance policy.

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	**March 31, 2013 (Amount in Rs.)**	**March 31, 2012 (Amount in Rs.)**
1. Current Service Cost	18,52,372	3,83,978
2. Interest Cost on benefit obligation	35,802	5,920
3. Expected return on plan assets	(51,063)	-
4. Actuarial gain/loss on obligation	296,342	(21, 898)
5. Net benefit expense	2,133,453	3,68,000

23 Gratuity and other post-employment benefit plans (Contd.)

Balance Sheet

b) Details of Provisions:

Particulars	March 31, 2013 (Amount in Rs.)	March 31, 2012 (Amount in Rs.)
1. Present Value of defined benefit obligation	2,652,000	4,42,000
2. Fair value of plan assets	(1,337,357)	-
3. Surplus/(deficit) of funds	(1,314,643)	(4,42,000)
4. Net Asset/(liability) recognized in Balance Sheet	(1,314,643)	(4,42,000)

c) Changes in Present value of the defined benefit obligation are as follows:

Particulars	March 31, 2013 (Amount in Rs.)	March 31, 2012 (Amount in Rs.)
1. Defined benefit obligation at the beginning of the Period	442,000	74,000
2. Current Service cost	1,852,372	3,83,978
3. Interest Cost	35,802	5,920
4. Actuarial gain/loss	321,826	(21898)
5. Benefits paid	-	-
6. Defined benefit obligation at the end of period	2,652,000	4,42,000

The principal assumptions used in determining obligations are as follows:

Particulars	March 31, 2013 (Amount in Rs.)	March 31, 2012 (Amount in Rs.)
1. Discount Rate	8.1%	8%
2. Expected Rate of return on plan assets	-	-
3. Expected rate of salary increase*	8%	6%
4. Mortality	LIC(1994-96)	LIC(1994-96)
5. Withdrawal rate	Age Related	Age Related

*The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amount for the current and previous period are as follows :

Particulars	March 31, 2013 (Amount in Rs.)	March 31, 2012 (Amount in Rs.)	March 31, 2011 (Amount in Rs.)
1. Defined Benefit obligation	2,652,000	4,42,000	74000
2. Plan Assets	1,337,357	-	0
3. Surplus/(deficit)	(13,14,643)	(4,42,000)	(74,000)
4. Experience adjustments on plan liabilities (Gain)/Loss	-	-	0
5. Experience adjustments on plan assets (Gain)/Loss	-	-	0

Defined Benefit Contribution

Particulars	March 31, 2013 (Amount in Rs.)	March 31, 2012 (Amount in Rs.)
Employer's contribution to Provident Fund including Family Pension Fund*	2,763,092	16,18,433

*included in the head 'Contribution to Provident and Other Funds' and 'Capital Work in Progress (including Capital Advances)'

24 Leases

Operating Lease :

Till June 2011, Office premises are obtained on operating lease by the Holding Company. The lease term is for three years and renewable for further two terms of three years at the option of the Company. There is 15% escalation clause in the lease agreement at the time of each renewal. From 1st July, 2011, Office premises are obtained on operating lease by the Company. The lease term is for eleven months and renewable for further two terms of three years at the option of the Company.

Particulars	For the year ended March 31, 2013	For the period ended March 31, 2012
	Amount (in Rs.)	Amount (in Rs.)
Lease payment for the period	11,233,298	7,797,657

25 Related party disclosures

Names of related parties

Holding Company — Bharat Forge Limited

Associate Company — ALSTOM Bharat Forge Power Limited
ALSTOM Switzerland Ltd
ALSTOM Power Holdings SA
ALSTOM Technology Ltd
BF Infrastructure Limited

Key Management Personnel (KMP) — Mr Vijay Kumar Jain,
CEO and Managing Director (from October 1, 2011)

Transaction with Related Parties during the year

Particulars	Holding Company		Associate Company		KMP		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Issue of Equity Share Capital								
Bharat Forge Limited	66,108,750	66,108,750	-	-	-	-	66,108,750	66,108,750
ALSTOM Power Holdings SA	-	-	63,516,250	63,516,250	-	-	63,516,250	63,516,250
Share application Money received								
Bharat Forge Limited	-	66,108,750	-	-	-	-	-	66,108,750
ALSTOM Power Holdings SA	-	-	-	63,516,250	-	-	-	63,516,250
Fund reimbursed/includes expenses incurred on behalf of Company								
Bharat Forge Limited	2,503,178	3,281,082	-	-	-	-	2,503,178	3,281,082
ALSTOM Bharat Forge Power Limited	-	-	118,930,160	498,402	-	-	118,930,160	498,402
BF Infrastructre Limited	-	-	110,509,919	9,040,870	-	-	110,509,919	9,040,870
Remuneration								
Mr. Abhijit Bhattacharya	-	-	-	-	-	3,127,182	-	3,127,182
Mr. Vijay Kumar Jain	-	-	-	-	2,754,000	1,340,435	2,754,000	1,340,435
Purchase of Technical Services								
ALSTOM Switzerland Ltd	-	-	6,637,002	7,620,693	-	-	6,637,002	7,620,693
							-	-
Technology Licence Fee Instalment							-	-
ALSTOM Technology Limited	-	-	-	-	-	-	-	-
Balances outstanding at year end							-	-
Payable to :							-	-
Bharat Forge Limited	381,000	-	-	-	-	-	381,000	-
ALSTOM Bharat Forge Power Limited	-	-	118,930,160	-	-	-	118,930,160	-
BF Infrastructre Limited	-	-	-	-	-	-	-	-

26 Capital and other commitments

Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 1,704,600,000 as at March 31, 2013. (Rs. 17,156,444,613 as at March 31, 2012).

27 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	For the year ended 31 March 2013	For the year ended 31 March 2012
	Rs.	Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	-	-
Interest due on above	-	-
	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-

28 Expenditure in foreign currency (accrual basis)

	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
Technical Services	-	7,620,693
Travelling and conveyance	2,078,551	2,187,679
Engineering support	5,905,491	-
Purchase of Machine	4,896,290	-
	12,880,332	**9,808,372**

29 On 28 December, 2011 a Public Interest Litigation (PIL) in the form of writ petition was filed in the Hon'ble High Court of Gujarat at Ahmedabad, against 11 parties including the company. The Grievances stated in the Writ Petition relate to Environmental clearances for Adani Port and Special Economic Zone Limited and the Company's factory in Mundra under Environmental Impact Assessment Notification 2006 ('EIA Notification'), read with provisions under Environmental (Protection) Act, 1986 (ACT). The matter was heard on 12 April, 2012 and on 9 May, 2012 the division bench of Hon'ble High Court of Gujrat pronounced the following judgement with respect to issues under consideration.

a) The first issue related to whether individual units including the company required individual environmental clearance (EC) under the EIA Notification considering their proposed activity. The Hon’ble High Court has decided this issue in favour of the Company confirming that the individual units do not require individual environmental clearance under EIA notification from Ministry of Environment and Forests (MoEF).

b) The second issue related to whether in the absence of Adani Port and Special Economic Zone Limited ('APSEZ') having environmental clearance the individual units falling under the APSEZ can continue with the construction activities. The Hon’ble High Court has decided it verdict against the individual units and has directed the Company to immediately stop any/all construction activities on the land allotted to them until APSEZ obtains requisite environmental clearance.

On 25 October, 2011 the Company had received confirmation from the MoEF that its activities in Mundra do not attract the provisions of EIA notification 2006.

A committee by Hon'ble High Court had been constituted under the leadership of Mrs. Sunita Narain (Chairperson, Centre for Science and Environment) based on a PIL in the Hon'ble High Court submitted on 28 December, 2012, which included members from MoEF and state environment bodies. The mandate of this committee was to look into the Environmental irregularities at Mundra Port & surrounding areas which included issues like destruction of mangrove forests, proposed construction on grazing land, shifting of High tide line etc.

Sunita Narain commitee's presented its report on 18 April, 2013 and stated that there were environmental violations in the APSEZ and legal proceedings could be initiated against non-compliance and violations of EC conditions. But it is also clear that these steps, however, harsh they may sound, are in the nature of being procedural and would only lead to delay without any gains to the environment and the people. The Committee is cognizant of the fact that large scale development has already been undertaken and it is not possible or prudent at this stage to halt or cease its operations.

The management of the Company does not expect any material impact of this disruption on the business of the Company and it has not undertaken any physical construction activity at the site since 9 May, 2012. However, other activities directly related to the project continue to be carried out which includes pre-engineered building work, procurement orders for the machineries, site preparation, etc. Based on evaluation of the current position of the project, the management is confident that the Company will be able to comply with the recommendations of Sunita Narain Committee, it will receive environmental clearances and the Company will be permitted to continue the construction of the manufacturing site in near future. Accordingly, the management has concluded that no impairment of the Capital work in progress and other assets is required.

30 Income taxes

The company does not have any taxable income for the period ended March 31, 2013 under the Income Tax Act, 1961. Accordingly, no provision for income tax has been made in financial statements.

In accordance with AS 22-'Accounting for Taxes on Income', notified by the Companies (Accounting Standard) Rules, 2006 in view of losses incurred by the Company during the year and the Company is in the process of setting up plant, deferred tax on losses have not been accounted in books since it is not virtually certain that Company will not be able to take advantage of such losses.

31 Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP
Firm registration number: 101049W
Chartered Accountants

per Raman Sobti
Partner
Membership no.: 89218

Place: Gurgaon
Date: April 25, 2013

For and on behalf of the board of directors of Kalyani ALSTOM Power Limited

Vijay Kumar Jain
Managing Director

Philippe Cochet
Director

Arvind Datta
Chief Finance Officer

Manu Garg
Company Secretary

Place: Baden, Switzerland
Date: April 25, 2013

Kalyani Polytechnic Private Limited

Directors	***Registered Office***	***Auditors***
Mr. S. B. Kanade Mrs. S. G. Tilak	Pune Cantonment, Mundhwa, Pune - 411 036.	P.V.Deo Chartered Accountant Laxminarayannagar No.4 Co-op. Hsg. So. Erandawana Pune 411 004.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the First Annual Report together with audited Statement of Accounts for the period ended on March 31, 2013 on the business and operations of the Company.

1. **Financial Highlights**:

During the period under review, the Company was engaged exclusively in the setting up of its new project**.** The total expenditure during the period was Rs. 45,136/-. The excess of expenditure over income amounting to Rs. 45,136/- is therefore transferred to Reserve and Surplus account.

Particulars	**July 24, 2012 to March 31, 2013 Amount (Rs.)**
Income from Donations and other sources	-
Total expenditure	45,136
Excess of expenditure over income	(45,136)

2. **Board of Directors:**

Mr. S.B. Kanade and Mrs. Supriya Tilak, first Directors in the Articles of Association of the Company, continue to hold the office of Directors. Mr. S.B. Kanade was appointed the Chairman of the Company with effect from July 25, 2012 and will continue to hold the office.

3. **Share Capital:**

During the year under review, your Company increased its Authorised Share capital from Rs. 1,00,000/- to Rs. 5,00,000/- by way of issue and allotment of 40,000 Equity Shares of Rs. 10/- each to Bharat Forge Limited.

4. **Subsidiary:**

Your company is a wholly owned subsidiary of Bharat Forge Limited.

5. **Financial year of the Company:**

   The First financial year of the Company is from the date of incorporation i.e. July 24, 2012 to March 31, 2013. The subsequent financial years of the Company will be from April 1 to March 31.

6. **Dividend:**

   Being a section 25 Company, your Company does not pay Dividend to its Shareholders.

7. **Fixed Deposits:**

   The Company has not accepted any deposits from public during the period under review.

8. **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.

9. **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

   (i) The disclosure of information on conservation of energy, technology absorption etc required to be made in terms of Section 217(1) (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.

   (ii) During the period under review, there were no earnings or outgo in foreign exchange.

10. **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, 2013, the applicable Accounting Standards have been followed;

    (ii) 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, 2013 and of the loss of the Company for the period under review;

(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 period ended March 31, 2013 on a 'going concern' basis.

11. Auditors and Auditors' Report:

Mr. Prashant V. Deo, Chartered Accountant, Pune (Member 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 Mr. Prashant V. Deo, Chartered Accountant, Pune, to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Sub section (3) of Section 226 of the Companies Act, 1956. It is accordingly proposed to appoint Mr. Prashant V. Deo, Chartered Accountant as statutory auditors of the Company for the year 2013 - 14.

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.

12. Acknowledgement:

Your Directors would like to express their sincere appreciation and deep gratitude for the positive co-operation received from its valued shareholders and Kalyani family.

The Directors express their special thanks to Mr. S.B. Kanade, Chairman, for his untiring efforts for the progress of the Company.

For and on behalf of the
Board of Directors

S.B. Kanade
Chairman

Pune: May 2, 2013

Independent Auditor's Report

To the Members of Kalyani Polytechnic Private Limited

Report on the Financial Statements

I have audited the accompanying financial statements of **Kalyani Polytechnic Private Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2013, the Statement of Income and Expenditure and the Cash Flow Statement for the period 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"). 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. 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, 2013;

(ii) in the case of the Statement of Income and Expenditure, of the deficit for the period ended on that date; and

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

Report on Other Legal and Regulatory Requirements

1. 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 do not apply to the Company, since it is a company licensed and registered under section 25 of the Companies Act, 1956.

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 accounts 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 Income and Expenditure and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

   d. in my opinion, the Balance Sheet, Statement of Income and Expenditure and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and

   e. on the basis of written representations received from the directors as on 31st March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013, 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 : May 2, 2013

Kalyani Polytechnic Private Limited

Balance sheet as at 31st March, 2013

	Notes	As at 31st March , 2013 Rs.
Equity and liabilities		
Shareholders' funds		
Share capital	3	500,000.00
Reserves and surplus	4	(45,136.00)
		454,864.00
Current liabilities		
Other current liabilities	5	45,136.00
		45,136.00
TOTAL		500,000.00
Assets		
Current assets		
Cash and cash equivalents	6	500,000.00
		500,000.00
TOTAL		500,000.00
Significant Accounting Policies and Notes forming part of the Accounts	1 to 9	
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
Place: Pune
Date: May 2, 2013

S.B.KANADE
Director
Place: Pune
Date: May 2, 2013

S.G.TILAK
Director

Kalyani Polytechnic Private Limited

Statement of Income and Expenditure for the period ended 31st March, 2013

	Notes	For the period ended 31st March, 2013 Rs.
Total revenue (I)		-
Expenses		
Other expenses	7	45,136.00
Total expenses (II)		45,136.00
Deficit before tax		(45,136.00)
Tax expenses		-
Deficit for the period		(45,136.00)

Significant Accounting Policies and Notes forming part of the Accounts — 1 to 9

The notes above referred form an integral part of the Statement of Income and Expenditure

As per my attached report of the even date,

P.V.Deo
Chartered Accountant
Place: Pune
Date: May 2, 2013

On behalf of the Board of Directors,

S.B.KANADE
Director

S.G.TILAK
Director

Place: Pune
Date: May 2, 2013

Kalyani Polytechnic Private Limited

Cash Flow Statement for the period ended 31st March, 2013

		Period ended 31st March, 2013 Rs.
Cash flow from operating activities		
Deficit as per statement of income and expenditure		**(45,136.00)**
Operating deficit before working capital changes		**(45,136.00)**
Movements in working capital :		
Increase / (decrease) in liabilities		**45,136.00**
		45,136.00
Cash generated from operations		-
Direct taxes paid (net of refunds)		-
Net cash flows from operating activities	**(A)**	-
Cash flows from investing activities		-
Net cash flows (used in) investing activities	**(B)**	-
Cash flows from financing activities		
Proceeds from Equity investment by promoters		**500,000.00**
Net cash flows from financing activities	**(C)**	**500,000.00**
Net increase in cash and cash equivalents (A+B+C)		**500,000.00**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**500,000.00**

Components of cash and cash equivalents as at	**31st March, 2013 Rs.**
Balance with bank	**500,000.00**
In current account	
	500,000.00

Significant Accounting Policies and Notes forming part of the Accounts 1 to 9
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: May 2, 2013

On behalf of the Board of Directors,

S.B.KANADE — **Director**

S.G.TILAK — **Director**

Place: Pune
Date: May 2, 2013

Kalyani Polytechnic Private Limited

Notes forming part of the Financial Statements for the period ended 31st March, 2013

1 Company Overview:

Kalyani Polytechnic Private Limited is a private limited company incorporated under section 25 of the Companies Act, 1956. The Company was incorporated on 24th July, 2012. The Company is a wholly owned subsidiary of Bharat Forge Limited. The Company is incorporated to promote and carry on the work of polytechnic college/institute for imparting diploma level education with disciplines of engineering, non-engineering, post diploma level education in various engineering disciplines, short term technical education courses and such other courses of study as may be felt necessary.

During the period covered by these accounts, the Company was engaged in the activities of setting up polytechnic in pursuance of its objectives.

The Company having been licensed and registered under Sec. 25 of the Companies Act, 1956 is prohibited from declaration and payment of any dividend on its shares. Similarly, it is prohibited from distribution of any surplus assets in the event of its winding up or dissolution.

These financial statements cover the period from 24th July, 2012 to 31st March, 2013.

2 Significant accounting policies:

2.1 Basis of accounting and preparation of financial statements:

These financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the relevant provisions of the Companies Act, 1956. These financial statements have been prepared on an accrual basis under the historical cost convention.

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 Taxation:

The Company is licensed under Sec. 25 of the Companies Act, 1956 and enjoys exemption under Sec. 11 of the Income Tax Act, 1961, subject to its fulfilling the applicable statutory provisions.

Kalyani Polytechnic Private Limited

Notes forming part of the Financial Statements for the period ended 31st March, 2013

2.4 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.

2.5 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.

2.6 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.

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Kalyani Polytechnic Private Limited

Notes forming part of the Financial Statements for the year ended 31st March, 2013

3. Share capital

	As at 31st March , 2013 Rs.
Authorised shares (No.)	
50,000 equity shares of Rs. 10/- each	**500,000.00**
Issued (No.)	
50,000 equity shares of Rs. 10/- each	**500,000.00**
Subscribed and fully paid-up (No.)	
50,000 equity shares of Rs. 10/- each	**500,000.00**
Total issued, subscribed and fully paid-up share capital	**500,000.00**

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

Equity shares	As at 31st March, 2013	
	No.	Rs.
At the beginning of the year	-	-
Shares issued during the year	**50,000**	**500,000.00**
Shares bought back during the year	-	-
Outstanding at the end of the year	**50,000**	**500,000.00**

(b) 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.

(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 are as below

	As at 31st March , 2013 Rs.
Bharat Forge Limited, the holding company	
50,000 equity shares of Rs.10/- each fully paid	**500,000.00**

(d) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31st March, 2013	
	No.	% of Holding
Equity shares of 10 each fully paid		
Bharat Forge Limited	**50,000**	**100**

Kalyani Polytechnic Private Limited

Notes forming part of the Financial Statements for the year ended 31st March, 2013

4. Reserves and surplus

		As at 31st March , 2013 Rs.
Deficit in the statement of Income and Expenditure		
Deficit for the year		**(45,136.00)**
	TOTAL	**(45,136.00)**

5. Other current liabilities

		As at 31st March , 2013 Rs.
Amount due to Bharat Forge Ltd.		**35,136.00**
Accrued expenses		**10,000.00**
	TOTAL	**45,136.00**

6. Cash and cash equivalents

		As at 31st March , 2013 Rs.
Balances with bank		
In current account		**500,000.00**
	TOTAL	**500,000.00**

7. Other expenses

		Year ended 31st March , 2013 Rs.
Payment to Auditors (Refer details below)		**10,000.00**
Preliminary Expenses		**35,136.00**
	TOTAL	**45,136.00**

Payment to auditors, excluding service tax

		Year ended 31st March , 2013 Rs.
As auditor:		
- Audit fee		**10,000.00**
	TOTAL	**10,000.00**

Kalyani Polytechnic Private Limited

Notes to financial statements for the year ended 31st March, 2013

8. Related Party disclosures

(i) Names of the related parties and related party relationship

a) Holding Company Bharat Forge Limited

(ii) Transactions with related party

Sr. No.	Particulars	Holding Company Rs.
1	Equity contribution received:	**500,000.00**
2	Reimbursement of expenses:	**35,136.00**
	TOTAL	**535,136.00**

(iii) Balances with related parties

Sr. No.	Particulars	Holding Company Rs.
1	Reimbursement of expenses payable:	**35,136.00**
	TOTAL	**35,136.00**

9. This being the first year, since incorporation, the question of giving figures pertaining to previous year does not arise.

As per my attached report of the even date,	**On behalf of the Board of Directors,**	
P.V.Deo	**S.B.KANADE**	**S.G.TILAK**
Chartered Accountant	**Director**	**Director**
Place: Pune	**Place: Pune**	
Date: May 2, 2013	**Date: May 2, 2013**	

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 First Annual Report together with audited Statement of Accounts for the period ended on March 31, 2013 on the business and operations of the Company.

1. Financial Highlights:

During the period under review, the company was engaged exclusively in the setting up of its new project**.** The total expenditure during the period was Rs. 171,364/-. The excess of expenditure over income amounting to Rs. 171,364/- is therefore transferred to Reserve and Surplus account.

Particulars	**August 2, 2012 to March 31, 2013 Amount (Rs.)**
Total Expenditure	171,364/-
Profit/ (Loss) before Tax	(171,364)
Profit /(Loss) after Tax	(171,364)

2. Background & Review of Activities:

Your company has been incorporated to establish and expand business in Indian Defence market with primary focus on Artillery & Mortar Systems of all Calibers. Bharat Forge Limited has acquired 100% Equity Shares (10,000 equity Shares of Rs. 10 each) of your Company. Thus, your Company is a wholly owned subsidiary (WOS) of Bharat Forge Limited with effect from January 29, 2013. 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 Foreign Collaboration approval for equity from Elbit Systems Land and C4I Ltd and the same are awaited.

3. Board of Directors:

During the period under review, Mr. B.N. Kalyani, Mr. Amit Kalyani and Mr. Rajinder Singh Bhatia were appointed as Additional Directors of the company in terms of Section 260 of the Companies Act, 1956 with effect from January 29, 2013. All the three Additional Directors hold office as Additional Directors upto the date of ensuing Annual General Meeting of the Company and are proposed to be regularised as Directors of the Company. The Company has received notices in writing from members under Section 257 of the Companies Act 1956 proposing the candidatures of Mr. B.N. Kalyani, Mr. Amit Kalyani and Mr. Rajinder Singh Bhatia for the office of Directors.

Mr. S.B. Kanade & Mrs. Supriya Tilak, who were named as First Directors in the Articles of Association of the Company, have resigned from the Board of Directors of the Company with effect from January 29, 2013. The Board places on record its appreciation to the services rendered by Mr. S.B. Kanade and Mrs. Supriya Tilak during their tenure on the Board of the Company.

4. Share Capital:

Authorised and Paid up capital of the Company is Rs. 1,00,000/- (Rupees one lakh only) divided in 10,000 equity shares of Rs. 10/- each.

5. Financial year of the Company:

The First financial year of the Company is from the date of Incorporation i.e. August 2, 2012 to March 31, 2013. The subsequent financial years of the Company will be from April 1 to March 31.

6. Change in Name of the Company:

Your Company was incorporated as "Advanced Strategic Artillery Systems Private Limited". On October 31, 2012, the name of your Company was changed to BF Elbit Advanced Systems Private Limited in order to reflect the names of JV partners.

7. 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.

8. Fixed Deposits:

The Company has not accepted any deposits from public during the period under review.

9. 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.

10. 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) (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.

11. 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, 2013, 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, 2013 and of the loss 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, 2013 on a 'going concern' basis.

12. Auditors and Auditors' Report:

M/s. Prashant V. Deo, Chartered Accountants, Pune (Member 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 appointment, if made, would be within the limits prescribed 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. It is accordingly proposed to appoint M/s. Prashant V. Deo, Chartered Accountants as statutory Auditors of the Company for the year 2013 - 14.

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.

13. 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

B.N. Kalyani
Chairman

Pune: May 2, 2013

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 Advance Systems Private Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the period 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"). 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. 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, 2013;

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

(iii) in the case of the Cash Flow Statement, of the cash flows for the period 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; and

    e. on the basis of written representations received from the directors as on 31st March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013, 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 : May 2, 2013

ANNEXURE REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF BF ELBIT ADVANCED SYSTEMS PRIVATE LIMITED FOR THE PERIOD ENDED 31ST MARCH, 2013.

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) Since the Company does not own any fixed assets, the provisions of Clause No. 4(i) of the Order do not apply to the Company.

(ii) Since the Company does not carry any inventory, the provisions of Clause No. 4(ii) of the Order do not apply to the Company.

(iii) The Company has not granted or taken any loans to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, the provisions of Clause No. 4(iii) of the Order do not apply to the Company.

(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. During the period 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.

(v) 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.

(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) This being the first year of operation of the Company, the provisions of Clause No. (vii) of the Order regarding the requirement of internal audit do not apply to the Company.

(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 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, 2013 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.

(x) Since the Company has been registered for a period of less than five years, the provisions of Clause No. 4(x) of the Order do not apply to the Company.

(xi) The Company has neither borrowed any moneys from any financial institution or bank; nor issued any debentures. Hence, the provisions of Clause No. 4(xi) of the Order do not apply to the Company.

(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) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, the provisions of Clause No. 4(xiii) of the Order do not apply to the Company.

(xiv) The Company does not deal or trade in shares, debentures, securities and other investments. Therefore, the provisions of Clause No. 4(xiv) of the Order do not apply to the Company.

(xv) 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.

(xvi) Since the Company has not raised any term loans, the provisions of Clause No. 4 (xvi) of the Order do not apply to the Company.

(xvii) 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.

(xviii) 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.

(xix) Since the Company has not issued any secured debentures, during the year covered by this report, the clause (xix) of the Order does not apply to the Company.

(xx) Since the Company has not raised any money by public issues during the year, clause (xx) of the Order, does not apply to the Company.

(xxi) 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.

P. V. Deo
Chartered Accountant
Membership No. 41609

Place : Pune
Date : May 2, 2013

BF Elbit Advanced Systems Private Limited

Balance sheet as at March 31, 2013

	Notes	As at March 31, 2013 Rs.
Equity and liabilities		
Shareholders' funds		
Share capital	3	100,000
Reserves and surplus	4	(171,364)
		(71,364)
Current liabilities		
Other current liabilities	5	31,880,894
		31,880,894
TOTAL		**31,809,530**
Assets		
Current assets		
Cash and cash equivalents	6	100,000
Short-term loans and advances	7	31,709,530
		31,809,530
TOTAL		**31,809,530**
Significant Accounting Policies and Notes forming part of the Accounts	**1 to 11**	
The notes above referred form an integral part of the Balance Sheet		

As per my attached report of the even date,

P.V.DEO
Chartered Accountant
Place: Pune
Date: May 2, 2013

On behalf of the Board of Directors,

A.B.KALYANI	**RAJINDER SINGH BHATIA**
Director	**Director**

Place: Pune
Date: May 2, 2013

BF Elbit Advanced Systems Private Limited

Statement of profit and loss for the period ended March 31, 2013

	Notes	For the period ended March 31, 2013 Rs.
Total revenue (I)		-
Expenses		
Other expenses	8	171,364
Total expenses (II)		**171,364**
Loss before tax		**(171,364)**
Tax expenses		-
Loss for the period		**(171,364)**
Earnings per equity share [nominal value of share Rs.10/-]		
Basic (In Rs.)	10	**(17.14)**
Diluted (In Rs.)	10	**(17.14)**
Significant Accounting Policies and Notes forming part of the Accounts	**1 to 11**	

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	**A.B.KALYANI**	**RAJINDER SINGH BHATIA**
Chartered Accountant	**Director**	**Director**
Place: Pune	**Place: Pune**	
Date: May 2, 2013	**Date: May 2, 2013**	

BF Elbit Advanced Systems Private Limited

Cash Flow Statement for the period ended March 31, 2013

		Period ended March 31, 2013 Rs.
Cash flow from operating activities		
Loss before tax		**(171,364)**
Operating loss before working capital changes		**(171,364)**
Movements in working capital :		
(Increase) / decrease in short term loans and advances		(31,709,530)
Increase / (decrease) in liabilities		31,880,894
		171,364
Cash generated from operations		**-**
Direct taxes paid (net of refunds)		-
Net cash flows from operating activities	**(A)**	**-**
Cash flows from investing activities		-
Net cash flows (used in) investing activities	**(B)**	-
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 period		-
Cash and cash equivalents at the end of the period		**100,000**

Components of cash and cash equivalents as at		**March 31, 2013 Rs.**
Cheques on hand		100,000
	TOTAL	**100,000**

Significant Accounting Policies and Notes forming part of the Accounts	**1 to 11**	
The notes above referred form an integral part of the Cash Flow Statement		

As per my attached report of even date,

On behalf of the Board of Directors,

P.V.Deo
Chartered Accountant
Place: Pune
Date: May 2, 2013

A.B.KALYANI **RAJINDER SINGH BHATIA**
Director **Director**
Place: Pune
Date: May 2, 2013

BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

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, under the name of Advanced Strategic Artillery Systems Private Limited. The name of the Company was changed to BF Elbit Advanced Systems Private Limited as per fresh certificate of incorporation dated October 31, 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 accounts, the Company was engaged exclusively in the setting up of its new project and has not earned any income from operations.

These financial statements cover the period from August 2, 2012 to March 31, 2013.

2 Significant accounting policies:

2.1 Basis of accounting and preparation of financial statements:

These financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the relevant provisions of the Companies Act, 1956. These financial statements have been prepared on an accrual basis under the historical cost convention.

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 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.

2.4 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.

BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

2.5 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.

2.6 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.

2.7 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.

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BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

3. Share capital

		As at March 31, 2013 Rs.
Authorised shares (No.)		
10,000 equity shares of Rs. 10/- each		100,000
Issued and subscribed (No.)		
10,000 equity shares of Rs. 10/- each		100,000
Paid-up (No.)		
10,000 equity shares of Rs. 10/- each		100,000
	TOTAL	**100,000**

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

Equity shares	As at March 31, 2013	
	No.	Rs.
At the beginning of the period	-	-
Shares Issued during the period	10,000	100,000
Shares bought back during the period	-	-
Outstanding at the end of the period	**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, 2013 Rs.
Bharat Forge Limited, the Holding Company	
10,000 equity shares of Rs. 10/- each fully paid	100,000

(d) Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at March 31, 2013	
	No.	% of Holding
Equity shares of Rs. 10 each fully paid		
Bharat Forge Limited	**10,000**	**100**

BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

4. Reserves and surplus

		As at March 31, 2013 Rs.
Deficit in the statement of Profit and Loss		
Net loss for the period		(171,364)
	TOTAL	**(171,364)**

5. Other current liabilities

		As at March 31, 2013 Rs.
Accrued exenses		56,760
Reimbursement payable to Bharat Forge Limited		31,824,134
	TOTAL	**31,880,894**

6. Cash and cash equivalents

		As at March 31, 2013 Rs.
Cheques on hand		100,000
	TOTAL	**100,000**

7. Short-Term Loans and Advances
(Unsecured, Good)

		As at March 31, 2013 Rs.
Security deposits		525,000
Advances to suppliers		30,584,530
Other advances recoverable in cash or in kind or for value to be received		600,000
	TOTAL	**31,709,530**

BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

8. Other expenses

	Period ended March 31, 2013 Rs.
Payment to Auditors (Refer details below)	20,000
Preliminary Expenses	32,500
Travelling Expenses	70,941
Miscellaneous expenses	47,923
TOTAL	**171,364**

Payment to auditors, excluding Service Tax

	Period ended March 31, 2013 Rs.
As auditor:	
- Audit fee	20,000
	20,000

9. 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	Period ended March 31, 2013. Rs.
1	**Equity contribution received:**	**Holding Company**	
		Bharat Forge Limited	100,000
		TOTAL	**100,000**
2	**Reimbursement of expenses paid:**	**Holding Company**	
		Bharat Forge Limited	31,824,134
		TOTAL	**31,824,134**

(iii) Balance outstanding

		Name of the related party and nature of	As at March 31, 2013. Rs.
1	**Reimbursement payable:**	**Holding Company**	
		Bharat Forge Limited	31,824,134
		TOTAL	**31,824,134**

BF Elbit Advanced Systems Private Limited

Notes forming part of the Financial Statements for the period ended March 31, 2013

10. Earnings per share (EPS)

	As at March 31, 2013. Rs.
Numerator for basic and diluted EPS	
Net profit attributable to Shareholders as at March 31	(171,364)
Weighted average number of equity shares in calculating basic EPS	
Number of equity shares outstanding at the beginning of the year (nos.)	-
Weighted average shares outstanding on account of issue of fresh shares (nos.)	10,000
	10,000
EPS - Basic (in Rs.)	**(17.14)**
Weighted average number of equity shares in calculating diluted EPS	
Number of equity shares outstanding at the beginning of the year (nos.)	-
Weighted average shares outstanding on account of issue of fresh shares (nos.)	10,000
	10,000
EPS - Diluted - (in Rs.)	**(17.14)**

11. This being the first financial year, the question of giving figures pertaining to previous year does not arise.

As per my attached report of the even date,	**On behalf of the Board of Directors,**	
P. V. Deo	**A.B.KALYANI**	**RAJINDER SINGH BHATIA**
Chartered Accountant	**Director**	**Director**
Place: Pune	**Place: Pune**	
Date: May 2, 2013	**Date: May 2, 2013**	

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BHARAT FORGE

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